

ZF MGCAWU DISTRICT MUNICIPALITY



2016/2017

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2017

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

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GENERAL INFORMATION

EXECUTIVE MAYOR

A. Vosloo

SPEAKER

M. Moalosi

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: A. Vosloo

Councillors: B. Sinxeve
JJ. Olyn
G.H. Mothibi
K. Dodds

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External – Auditor General: Kimberley
Internal – Internal Audit Unit

PRIMARY BANKER

ABSA

REGISTERED OFFICE

c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

Telephone: (054) 337 2800
Fax: (054) 337 2888

E-Mail: admin@zfm-dm.gov.za
Website: www.zfm-dm.co.za

MUNICIPAL MANAGER

Mr. RL Mjethu

CHIEF FINANCIAL OFFICER

Mr. P. Beukes

ZF MGCAWU DISTRICT MUNICIPALITY
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GENERAL INFORMATION (continued)

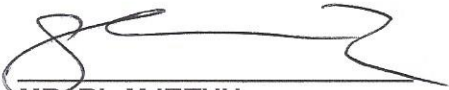
REVIEW OF FINANCIAL STATEMENTS

The Annual Financial Statements were reviewed by the Audit Committee, Internal Audit Unit, MPAC and Management before it was approved by the Municipal Manager.

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 116, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the District Municipality.

These Annual Financial Statements will be presented to the Council for information on 31 August 2017.



MR. RL MJETHU
ACTING MUNICIPAL MANAGER
31 August 2017

ZF MGCAWU DISTRICT MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended 30 June 2017****MEMBERS OF THE COUNCIL**

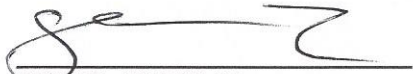
NAME	POSITION	PARTY	PERIOD
A. Vosloo	Mayor	ANC	Commencement: 30/10/2015
M.L. Moalosi	Speaker	ANC	Commencement: 07/08/2016
P. Wetbooi	Speaker	ANC	Resigned: 06/08/2016
G.H. Mothibi	Mayoral Committee	ANC	Commencement: 03/06/2011
J.J.J. Olyn	Mayoral Committee	ANC	Commencement: 07/08/2016
M. Mashilala	Mayoral Committee	ANC	Commencement: 07/08/2016
M. Basson	Mayoral Committee	DA	Commencement: 07/08/2016
K. Dodds	Mayoral Committee	ANC	Resigned: 31/08/2016
P.M. Mgcera	Mayoral Committee	ANC	Resigned: 06/08/2016
M. Moalosi	Mayoral Committee	ANC	Resigned: 06/08/2016
B. Sinxeve	Mayoral Committee	ANC	Resigned: 06/08/2016
J. Lodewyk	Direct Elected Councillor	ANC	Commencement: 02/02/2017
A. de Bruin	Direct Elected Councillor	COPE	Commencement: 01/06/2014
F.L. Witbooi	Direct Elected Councillor	DA	Commencement: 07/08/2016
M.H.B. Van Zyl	Direct Elected Councillor	DA	Commencement: 23/03/2017
J. De Klerk	Direct Elected Councillor	DA	Resigned: 28/02/2017
C. Tieties	Direct Elected Councillor	DA	Resigned: 06/08/2016
P.M. Kotze	Direct Elected Councillor	DA	Resigned: 06/08/2016
S. Esau	Councillor	ANC	Commencement: 07/08/2016
W.D Klim	Councillor	ANC	Commencement: 07/08/2016
B.L.B. Bosman	Councillor	ANC	Commencement: 07/08/2016
S. Dubeni	Councillor	ANC	Commencement: 07/08/2016
A. Isaacs	Councillor	ANC	Commencement: 30/03/2017
B. Bock	Councillor	ANC	Commencement: 03/06/2011
M. Bosman	Councillor	ANC	Commencement: 07/08/2016
A. Adams	Councillor	DA	Commencement: 15/09/2016
J. Assegaai	Councillor	DA	Commencement: 03/06/2011
M. Mabilo	Councillor	TCF	Commencement: 03/06/2011
J. Mei	Councillor	EFF	Commencement: 07/08/2016
K. Esau	Councillor	ANC	Resigned: 06/08/2016
E. Mnyaka	Councillor	ANC	Resigned: 06/08/2016
M. Oliphant	Councillor	ANC	Resigned: 06/08/2016
D.Z Ntlanganiso	Councillor	ANC	Resigned: 06/08/2016
S.P. May	Councillor	ANC	Resigned: 06/08/2016
J. Thomas	Councillor	COPE	Resigned: 06/08/2016
B. Snyders	Councillor	DA	Resigned: 18/08/2016
A. M. van Wyk	Councillor	DA	Resigned: 06/08/2016

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 40763 dated 03/04/2017. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.



MR. RL MJETHU
ACTING MUNICIPAL MANAGER
31 August 2017

ZF MGCWU DISTRICT MUNICIPALITY
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FOREWORD

As a District Municipality we have shown continuous progress over the past year with regard to reaching the set annual targets and building on a strong administrative and political institution. As we reach the end of this financial year, we can reflect back with pride on what we have achieved the past year. During the 2016/2017 financial year the District Municipality was under severe pressure to ensure compliance to the various changes in legislation and continue with the implementation of Generally Recognised Accounting Practices (GRAP) standards. We have proven that through good and sound financial management, good governance can be achieved.

One of the primary objectives of the District Municipality is to assist its local municipalities to come up to the same level as the District in terms of financial management and other service delivery imperatives. We have lived up to this mandate by building the capacity of local municipalities to enable them to in a position to discharge their respective mandates. This has not been without challenges but we are moving towards that ultimate goal.

As a District Municipality we have a legislative mandate to ensure that local municipalities within the ZF Mgcawu District embrace the "Back to Basics" concept and include indicators of good governance, public participation, financial management, infrastructure development and institutional capacity as part of municipal key performance areas. Essentially local municipalities are expected to spend their funds in an accountable manner to ensure that they improve their audit outcomes. All our support efforts as stipulated in Section 83 of the Structures Act are geared towards ensuring that local municipalities migrate from negative audit outcomes to more positive outcomes.

Although capital projects were limited to those financed from external grant funding the District Municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2016/17 financial year. The District Municipality will continue in the 2017/18 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

It is a fact that we are faced with the triple challenges of poverty, unemployment and inequality and these will remain with us until such time that we realise that 'development' is not an event but a process which requires multiple resources and effective leadership. We should not stop working to ensure that we improve the lives of our community.

We will continue to build on the reputation we have established as a District, of a distinctive municipality for high quality, adherence to policy and legislation and most of all total commitment to the community we serve.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year



MR. A. VOSLOO
EXECUTIVE MAYOR

31 August 2017

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of ZF Mgcawu District Municipality at 30 June 2017 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework are set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2017 indicates a decrease in Net Assets, an increase in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account.

The increase in Non-Current Liabilities is primarily as a result of the increase in Employee Benefit Liabilities. The increase in Current Liabilities is primarily as a result of the increase in Payables from Exchange Transactions and Unspent Conditional Grants and Receipts.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

Financial Statement Ratios:

INDICATOR	2017	2016
Surplus / (Deficit) before Appropriations	(7 261 261)	(3 911 505)
Surplus / (Deficit) at the end of the Year	(28 618 970)	(21 357 709)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	69.77%	68.29%
Remuneration of Councillors	4.79%	5.22%
Depreciation and Amortisation	0.87%	1.13%
Impairment Losses	0.56%	0.54%
Interest Paid	0.01%	0.06%
Contracted Services	1.04%	1.13%
Grants and Subsidies Paid	8.82%	9.27%
General Expenses	14.10%	14.37%
Loss on Disposal of Property, Plant and Equipment	0.03%	0.00%

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R1 707 369 (2015/16: R468 053). Full details of Assets are disclosed in the Annual Financial Statement Notes 7, 8 and Appendices "B, C and E (4)".

The Capital Expenditure of R1 707 369 was financed as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Grants and Subsidies	234 219	253 629	(7.65)	1 666 200	(85.94)
Own Funds (Equitable Share)	1 473 150	214 424	587.03	-	100.00
	1 707 369	468 053	264.78	1 666 200	2.47

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2017 R	2016 R
Grants and Subsidies	13.72%	54.19%
Own Funds (Equitable Share)	86.28%	45.81%
	100.00%	100.00%

Capital Assets are funded to a great extent from Own Funds to finance capital expenditure.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2017 R	2016 R
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	1 685 771	1 092 636
Revenue variances	(5 790 674)	(5 572 549)
Expenditure variances:		
Employee Related Costs	(5 445 826)	(2 350 581)
Remuneration of Councillors	529 859	402 249
Depreciation and Amortisation	27 672	152 643
Impairment Losses	12 476	35 633
Interest Paid	60 837	175 291
Contracted Services	10 986	269 306
Grants and Subsidies Paid	1 617 297	282 711
General Expenses	18 407	1 601 155
Loss on disposal of Property, Plant and Equipment	11 934	-
Actual surplus / (deficit) before appropriations	(7 261 261)	(3 911 505)

ZF MGCAWU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2017 R	2016 R
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	1 685 771	1 092 636
Executive and Council	(164 320)	666 065
Budget and treasury office	(4 898 983)	(3 988 444)
Corporate services	(2 725 845)	(1 001 339)
Technical Services	(1 157 884)	(680 423)
Actual surplus / (deficit) before appropriations	(7 261 261)	(3 911 505)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Statement of Comparison of Budget and Actual Amounts.

5.2 Capital Budget:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Variance actual 2016/17 / 2015/16 R	Budgeted 2016/17 R	Variance actual/ budgeted R
Executive and Council	-	23 568	(23 568)	-	-
Budget and treasury office	1 011 130	196 439	814 691	1 011 200	(70)
Corporate services	585 280	21 146	564 134	585 400	(120)
Technical Support	110 959	226 900	(115 940)	69 600	41 359
	1 707 369	468 053	1 239 316	1 666 200	41 169

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (4)".

2017	2016
R	R

6. ACCUMULATED SURPLUS / (DEFICIT)

The balance of the Accumulated Deficit as at 30 June 2017 amounted to R28 618 970 (30 June 2016: R21 357 709) and is made up as follows:

Accumulated Surplus / (Deficit)	(28 618 970)	(21 357 709)
	(28 618 970)	(21 357 709)

Refer to Note 18 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities (including short-term portion) as at 30 June 2017 was R0 (30 June 2016: R102 157).

Refer to Note 16 and Appendix "A" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements
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REPORT OF THE CHIEF FINANCIAL OFFICER

		2017	2016
		R	R
8. EMPLOYEE BENEFIT LIABILITIES			
Retirement Benefit Liability	Note 17.1	31 520 861	30 719 733
Provision for Long-term Service	Note 17.2	3 070 637	2 766 534
		34 591 498	33 486 267

The Retirement Benefit Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Provision for Long-term Service are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 17 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R16 913 721 as at 30 June 2017 (30 June 2016: R13 824 558) and is made up as follows:

VAT Payables	Note 4	-	102 200
Provisions	Note 11	2 563 410	2 492 621
Payables from Exchange Transactions	Note 12	9 063 639	5 509 830
Taxes and Transfers Payable	Note 13	151 691	23 454
Unspent Conditional Grants and Receipts	Note 14	5 104 128	5 542 896
Operating Lease Liabilities	Note 15	30 853	51 400
Current Portion of Long-term Liabilities	Note 16	-	102 157
		16 913 721	13 824 558

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months).

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R21 592 485 as at 30 June 2017 (30 June 2016: R20 645 776).

Refer to Note 7 and Appendix "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets was R198 994 as at 30 June 2017 (30 June 2016: R73 108).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY**Annual Financial Statements
for the year ended 30 June 2017****REPORT OF THE CHIEF FINANCIAL OFFICER**

	2017 R	2016 R
13. FINANCE LEASE RECEIVABLES		
Finance Lease Receivables were R15 282 at 30 June 2017 (30 June 2016: R51 166). Refer to Note 12 for more detail.		
12. LONG-TERM RECEIVABLES		
Long-term Receivables of R83 960 at 30 June 2017 (30 June 2016: R248 664) is made up as follows:		
Employee PAYE Debtors	137 925	269 073
Performance Bonus Debtors	107 680	143 573
	<u>251 167</u>	<u>412 646</u>
Less: Short-term portion included in Current Assets	167 207	163 982
Employee PAYE Debtors	93 830	128 089
Performance Bonus Debtors	73 377	35 893
	<u>83 960</u>	<u>248 664</u>

The decrease in the amount for Long-term Receivables is due to the amounts recovered from debtors.

Refer to Note 10 for more detail.

13. CURRENT ASSETS

Current Assets amounted R995 527 as at 30 June 2017 (30 June 2016: R4 934 402) and is made up as follows:

Receivables from Exchange Transactions	Note 2	143 689	1 051 120
Receivables from Non-exchange Transactions	Note 3	114 502	-
VAT Receivable	Note 4	274 761	-
Cash and Cash Equivalents	Note 5	288 868	3 715 700
Current Portion of Finance Lease Receivables	Note 9	3 600	3 600
Current Portion of Long-term Debtors	Note 10	170 108	163 982
		<u>995 527</u>	<u>4 934 402</u>

The decrease in the amount for Current Assets is mainly due to the decrease in Cash and Cash Equivalents.

Refer to the indicated Notes above for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

15. GOING CONCERN ASSESSMENT

Full details of management's going concern assessment are disclosed in Note 47.

16. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, MPAC, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Budget and Treasury Office, for without their assistance these Annual Financial Statements would not have been possible.



MR P. BEUKES
CHIEF FINANCIAL OFFICER

31 August 2017

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

		Actual	
	Note	2017 R	2016 R
ASSETS			
Current Assets		995 527	4 934 402
Receivables from Exchange Transactions	2	143 689	1 051 120
Receivables from Non-exchange Transactions	3	114 502	-
VAT Receivable	4	274 761	-
Cash and Cash Equivalents	5	288 868	3 715 700
Current Portion of Finance Lease Receivables	9	3 600	3 600
Current Portion of Long-term Receivables	6	170 108	163 982
Non-Current Assets		21 890 721	21 018 714
Property, Plant and Equipment	7	21 592 485	20 645 776
Intangible Assets	8	198 994	73 108
Finance Lease Receivables	9	15 282	51 166
Long-term Receivables	10	83 960	248 664
Total Assets		22 886 248	25 953 116
LIABILITIES			
Current Liabilities		16 913 721	13 824 558
Provisions	11	2 563 410	2 492 621
Payables from Exchange Transactions	12	9 063 639	5 509 830
Taxes and Transfers Payable	13	151 691	23 454
Unspent Conditional Grants and Receipts	14	5 104 128	5 542 896
VAT Payable	4	-	102 200
Operating Lease Liabilities	15	30 853	51 400
Current Portion of Long-term Liabilities	16	-	102 157
Non-Current Liabilities		34 591 498	33 486 267
Long-term Liabilities	16	-	-
Employee Benefit Liabilities	17	34 591 498	33 486 267
Total Liabilities		51 505 218	47 310 825
Total Assets and Liabilities		(28 618 970)	(21 357 709)
NET ASSETS		(28 618 970)	(21 357 709)
Accumulated Surplus / (Deficit)	18	(28 618 970)	(21 357 709)
Total Net Assets / (Liabilities)		(28 618 970)	(21 357 709)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

		Actual	
	Note	2017	2016
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Actuarial Gains on Employee Benefits	17	1 129 710	31 888
Government Grants and Subsidies Received	19	57 621 270	56 598 816
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	20	7 385	5 905
Interest Earned - External Investments	21	725 580	531 966
Interest Earned - Outstanding Debtors	21	2 630	24 563
Other Income	22	631 521	1 084 760
Gains on Disposal of Property, Plant and Equipment	31	-	816 054
Total Revenue		60 118 096	59 093 951
EXPENDITURE			
Employee Related Costs	23	47 012 330	43 026 407
Remuneration of Councillors	24	3 228 951	3 289 960
Depreciation and Amortisation	25	588 771	709 393
Impairment Losses	26	377 744	339 367
Finance Costs	27	5 163	34 959
Contracted Services	28	701 174	709 894
Grants and Subsidies Paid	29	5 943 916	5 841 262
General Expenses	30	9 498 242	9 054 215
Loss on Disposal of Assets	31	23 066	-
Total Expenditure		67 379 357	63 005 456
SURPLUS / (DEFICIT) FOR THE YEAR		(7 261 261)	(3 911 505)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Description	Revaluation Reserve	Accumulated Surplus / (Deficit) Account	Total for	Total
		Accumulated Surplus / (Deficit)	Accumulated Surplus/(Deficit) Account	
2016	R	R	R	R
Balance at 30 June 2015	-	(13 127 780)	(13 127 780)	(13 127 780)
Correction of Error (Note 32)	-	(4 318 424)	(4 318 424)	(4 318 424)
Restated Balance at 30 June 2015	-	(17 446 204)	(17 446 204)	(17 446 204)
Published Surplus / (Deficit) for the year		(2 591 773)	(2 591 773)	(2 591 773)
Correction of Error (Note 32)		(1 319 732)	(1 319 732)	(1 319 732)
Restated Balance at 30 June 2016	-	(21 357 709)	(21 357 709)	(21 357 709)
2017				
Surplus / (Deficit) for the year		(7 261 261)	(7 261 261)	(7 261 261)
Balance at 30 June 2017	-	(28 618 970)	(28 618 970)	(28 618 970)

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017 R	2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Actuarial Gains on Employee Benefits	17	1 129 710	31 888
Grants		57 182 502	59 317 500
Rental Of Facilities And Equipment	20	7 385	5 905
Interest Received	21	728 210	556 529
Other Income		834 750	1 203 970
Payments			
Employee Related Costs		(45 828 864)	(39 450 278)
Remuneration of Councillors	24	(3 228 951)	(3 289 960)
Interest Paid	27	(5 163)	(34 959)
Suppliers Paid		2 852 635	(3 079 845)
Other Payments		(15 444 115)	(14 677 306)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(1 771 901)	583 443
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(1 521 685)	(468 053)
Purchase of Intangible Assets	8	(185 684)	-
Proceeds on Disposal of Property, Plant and Equipment	31	22 937	3 924 000
Decrease / (Increase) in Long-Term Receivables	10	131 288	19 146
Decrease / (Increase) in Finance Lease Receivables	9	370	29 324
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1 552 774)	3 504 417
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	16	(102 157)	(477 154)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(102 157)	(477 154)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	5	(3 426 832)	3 610 705
Cash and Cash Equivalents at Beginning of Period		3 715 700	104 995
Cash and Cash Equivalents at End of Period		288 868	3 715 700

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Special Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
Current Assets												
Receivables from Exchange Transactions	185 000	(185 000)	-	591 005	591 005	-	591 005	143 689	-	(447 316)	24.31	77.67
Receivables from Non-exchange Transactions	-	-	-	-	-	-	-	114 502	-	114 502	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	274 761	-	274 761	0.00	0.00
Cash and Cash Equivalents	1 600 000	1 350 000	2 950 000	-	2 950 000	-	2 950 000	288 868	-	(2 661 132)	9.79	18.05
Current Portion of Finance Lease Receivables	4 930	-	4 930	36 000	40 930	-	40 930	3 600	-	(37 330)	8.80	73.02
Current Portion of Long-term Receivables	-	-	-	-	-	-	-	170 108	-	170 108	0.00	0.00
Non-Current Assets												
Property, Plant and Equipment	23 905 945	(1 500 000)	22 405 945	(806 165)	21 599 780	-	21 599 780	21 592 485	-	(7 295)	99.97	90.32
Intangible Assets	150 000	-	150 000	58 000	208 000	-	208 000	198 994	-	(9 006)	95.67	132.66
Finance Lease Receivables	-	-	-	-	-	-	-	15 282	-	15 282	0.00	0.00
Long-term Receivables	76 465	-	76 465	64 000	140 465	-	140 465	83 960	-	(56 505)	59.77	109.80
Total Assets	25 922 340	(335 000)	25 587 340	(57 160)	25 530 180	-	25 530 180	22 886 248	-	(2 643 932)	89.64	88.29
Current Liabilities												
Provisions	1 393 768	-	1 393 768	(819 000)	574 768	-	574 768	2 563 410	-	1 988 641	445.99	183.92
Payables from Exchange Transactions	2 350 000	-	2 350 000	5 435 233	7 785 233	-	7 785 233	9 063 639	-	1 278 406	116.42	385.69
Taxes and Transfers Payable	-	-	-	-	-	-	-	151 691	-	151 691	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	5 104 128	-	5 104 128	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	-	30 853	-	30 853	0.00	0.00
Current Portion of Long-term Liabilities	250 000	(100 000)	150 000	(150 000)	-	-	-	(0)	-	(0)	0.00	0.00
Non-Current Liabilities												
Long-term Liabilities	700 000	(700 000)	-	-	-	-	-	0	-	0	0.00	0.00
Employee Benefit Liabilities	16 293 211	-	16 293 211	(2 293 000)	14 000 211	-	14 000 211	34 591 498	-	20 591 287	247.08	212.31
Total Liabilities	20 986 979	(800 000)	20 186 979	2 173 233	22 360 212	-	22 360 212	51 505 218	-	29 145 006	230.34	245.42
Total Assets and Liabilities	4 935 361	465 000	5 400 361	(2 230 393)	3 169 968	-	3 169 968	(28 618 970)	-	(31 788 938)	0.00	0.00
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	4 935 361	465 000	5 400 361	(2 230 393)	3 169 968	-	3 169 968	(28 618 970)	-	(31 788 938)	0.00	0.00
Total Net Assets	4 935 361	465 000	5 400 361	(2 230 393)	3 169 968	-	3 169 968	(28 618 970)	-	(31 788 938)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Receivables from Exchange Transactions:

The budget amount anticipated improvement on the payments of outstanding debtors but did not realised.

Receivables from Non-exchange Transactions:

This amount relates to mSCOA expenditure on the FMG allocation that will be finalised during 2017/18 financial year and was budgeted for under Grants and Subsidies Paid during 2016/17 financial year.

VAT Receivable:

Budgeted for under Other Income as VAT Income.

Cash and Cash Equivalents:

The budget amount anticipated was over budgeted to improve the financial position of the Council.

Current Portion of Finance Lease Receivables:

The Long-term Portion of Finance Lease Receivables was budgeted for under the Current Portion of Finance Lease Receivables. Therefore over budgeted for.

Current Portion of Long-term Receivables:

Budgeted for under Long-term Portion of Long-term Receivables.

Finance Lease Receivables:

The Long-term Portion of Finance Lease Receivables was budgeted for under the Current Portion of Finance Lease Receivables.

Long-term Receivables:

Current Portion of Long-term Receivables budgeted for under Long-term Receivables. Therefore over budgeted for.

Provisions:

Increase in the current portions of PEMA and LSA valuation reports

Payables from Exchange Transactions:

The variance is due to cash flow problems experienced during the financial year.

Taxes and Transfers Payable:

Budgeted for under Payables from Exchange Transactions. Variance is due to the re-classification of projects administered on behalf of Mier municipality.

Unspent Conditional Grants and Receipts:

Budgeted for under Payables from exchange Transactions as the budget returns does not make provision for a separate line item for unspent grants.

Operating Lease Liabilities:

Not budgeted for straight lining of Operating Leases.

Current Portion of Long-term Liabilities:

Loans are settled and not budgeted for.

Long-term Liabilities:

Loans are settled and not budgeted for.

Employee Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to a cap amount incorrectly applied to retired employees that influence the valuation.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017
 FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Special Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions												
Actuarial Gains on Employee Benefits	-	-	-	-	-	-	-	1 129 710	-	1 129 710	0.00	0.00
Government Grants and Subsidies Received	56 883 800	2 248 580	59 132 380	450 000	59 582 380	-	59 582 380	57 621 270	-	(1 961 110)	96.71	101.30
Revenue from Exchange Transactions												
Rental of Facilities and Equipment	20 000	-	20 000	-	20 000	-	20 000	7 385	-	(12 615)	36.93	36.93
Interest Earned - External Investments	500 000	-	500 000	150 000	650 000	-	650 000	725 580	-	75 580	111.63	145.12
Interest Earned - Outstanding Debtors	30 000	-	30 000	(15 000)	15 000	-	15 000	2 630	-	(12 370)	17.54	8.77
Other Income	6 314 200	(2 222 810)	4 091 390	1 400 000	5 491 390	-	5 491 390	631 521	-	(4 859 869)	11.50	10.00
Gains on Disposal of Property, Plant and Equipment	150 000	-	150 000	-	150 000	-	150 000	-	-	(150 000)	0.00	0.00
Total Revenue	63 898 000	25 769	63 923 769	1 985 001	65 908 770	-	65 908 770	60 118 096	-	(5 790 674)	91.21	94.08
Expenditure												
Employee Related Costs	44 775 001	(3 051 633)	41 723 368	4 600	41 727 968	(161 464)	41 566 504	47 012 330	3 832 325	5 445 826	113.10	105.00
Remuneration of Councillors	3 838 584	(79 774)	3 758 811	(1)	3 758 810	-	3 758 810	3 228 951	-	(529 859)	85.90	84.12
Depreciation and Amortisation	920 000	(293 557)	626 443	-	626 443	(10 000)	616 443	588 771	-	(27 672)	95.51	64.00
Impairment Losses	-	100 000	100 000	(75 000)	25 000	365 220	390 220	377 744	-	(12 476)	96.80	0.00
Finance Costs	142 000	(76 000)	66 000	-	66 000	-	66 000	5 163	-	(60 837)	7.82	3.64
Contracted Services	680 000	821 400	1 501 400	(756 371)	745 029	(32 869)	712 160	701 174	-	(10 986)	98.46	103.11
Grants and Subsidies Paid	5 249 123	1 972 438	7 221 561	339 652	7 561 213	-	7 561 213	5 943 916	-	(1 617 297)	78.61	113.24
General Expenses	7 475 363	(17 077)	7 458 286	2 254 250	9 712 536	(195 887)	9 516 649	9 498 242	-	(18 407)	99.81	127.06
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	35 000	35 000	23 066	-	(11 934)	65.90	0.00
Total Expenditure	63 080 072	(624 203)	62 455 868	1 767 131	64 222 999	-	64 222 999	67 379 357	3 832 325	3 156 358	104.91	106.82
Surplus/(Deficit)	817 928	649 973	1 467 901	217 870	1 685 771	-	1 685 771	(7 261 261)	3 832 325	(8 947 032)	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	817 928	649 973	1 467 901	217 870	1 685 771	-	1 685 771	(7 261 261)	3 832 325	(8 947 032)	-	-
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit for the Year)	817 928	649 973	1 467 901.14	217 870	1 685 771	-	1 685 771	(7 261 261)	3 832 325	(8 947 032)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Financial Performance: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Actuarial Gains on Employee Benefits

Actuarial Gains is part of the movement in the Employee Benefits Liability. Therefore it was budgeted for under Employee Related Cost.

Rental of Facilities and Equipment:

Over budgeted for. Some rental contracts have been ended.

Interest Earned - External Investments:

The interest rate hikes was favourable for investors and invested at shortest possible time after Equitable funds became available. Therefore the higher returns on the call deposits made during the year.

Interest Earned - Outstanding Debtors:

The amount anticipated interest from SARS on the outstanding VAT refunds but all refunds have been paid over to the municipality without any delays.

Other Income:

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities which did not realised.

Gains on Disposal of Property, Plant and Equipment:

Gains on disposal of PPE was over budgeted for.

Employee Related Costs:

Employee Related Cost have been under budgeted for as vacant positions would have not be filled. Actuarial Gains was disclosed as revenue and not expenditure which increased the actual amount.

Remuneration of Councillors:

The variance are due to the change in the remuneration as gazetted and the change in the portfolio of Councillors.

Finance Costs:

Over budgeted for due to the finance lease of vehicles that did not materialised

Contracted Services:

Savings realised by not appointing unnecessary contractors due to cost containment measures. Repairs and Maintenance Budget is included under Contracted Services.

Grants and Subsidies Paid:

Spending on the RRAMS grant did not materialised during the year due to challenges experienced with supply chain processes.

Loss on Disposal of Property, Plant and Equipment:

Loss on disposal of PPE was budgeted for under Gains on disposal of PPE.

Surplus / (Deficit) from Discontinued Operations:

Infrastructure WIP transferred to Local Municipality and not budgeted for under

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017
CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Special Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R	R
Executive and Council	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Budget and treasury office	350 000	661 200	1 011 200	-	1 011 200	-	1 011 200	1 011 130	-	(70)	99.99	288.89
Corporate services	425 000	10 000	435 000	220 000	655 000	(69 600)	585 400	585 280	-	(120)	99.98	137.71
Technical Services	-	-	-	-	-	69 600	69 600	110 959	41 359	41 359	159.42	0.00
Total Capital Expenditure	775 000	671 200	1 446 200	220 000	1 666 200	-	1 666 200	1 707 369	41 359	41 169	102.47	220.31

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Technical Services

The Environmental Health function of Dawid Kruiper Local Municipality was transferred to ZFM on 1 July 2017. All assets were also transferred and was recorded as capital additions during the 2016/17 financial year which was not budgeted for by ZFM.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Special Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities												
Actuarial Gains on Employee Benefits	-	-	-	-	-	-	-	1 129 710	-	1 129 710	0.00	0.00
Grants	56 883 800	-	56 883 800	-	56 883 800	-	56 883 800	57 182 502	-	298 702	100.53	100.53
Rental Of Facilities And Equipment	-	-	-	-	-	-	-	7 385	-	7 385	0.00	0.00
Interest Received	525 000	-	525 000	-	525 000	-	525 000	728 210	-	203 210	138.71	138.71
Other Income	5 707 280	(1 774 746)	3 932 534	-	3 932 534	-	3 932 534	834 750	-	(3 097 785)	21.23	14.63
Employee Related Costs	(56 104 413)	2 759 225	(53 345 188)	-	(53 345 188)	-	(53 345 188)	(45 828 864)	3 832 325	7 516 324	85.91	81.68
Remuneration of Councillors	-	-	-	-	-	-	-	(3 228 951)	-	(3 228 951)	0.00	0.00
Interest Paid	(142 000)	82 600	(59 400)	-	(59 400)	-	(59 400)	(5 163)	-	54 237	8.69	3.64
Suppliers Paid	(5 249 123)	(925 311)	(6 174 434)	-	(6 174 434)	-	(6 174 434)	2 852 635	-	9 027 069	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(15 444 115)	-	(15 444 115)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(775 000)	(671 200)	(1 446 200)	(220 000)	(1 666 200)	-	(1 666 200)	(1 521 685)	41 359	144 515	91.33	196.35
Proceeds on Disposal of Property, Plant and Equipment	150 000	(20 000)	130 000	-	130 000	-	130 000	22 937	-	(107 063)	17.64	15.29
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	-	370	-	370	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	131 288	-	131 288	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Loans repaid	(250 000)	100 000	(150 000)	-	(150 000)	-	(150 000)	(102 157)	-	47 843	68.10	40.86
Cash and Cash Equivalents at End of the Year	745 544	(449 431)	296 113	(220 000)	76 113	-	76 113	(3 426 832)	3 873 685	(3 502 945)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

Actuarial Gains on Employee Benefits

Actuarial Gains is part of the movement in the Employee Benefits Liability. Therefore it was budgeted for under Employee Related Cost.

Rental Of Facilities And Equipment

Over budgeted for. Some rental contracts have been ended.

Interest Received

The interest rate hikes was favourable for investors and invested at shortest possible time after Equitable funds became available. Therefore the higher returns on the call deposits made during the year.

The amount anticipated interest from SARS on the outstanding VAT refunds but all refunds have been paid over to the municipality without any delays.

Other Income

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities which did not realised.

Employee Related Costs

Over budgeted for as Remuneration of Councillors, Suppliers paid and Other payments were budgeted for under Employee Related Cost.

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Over budgeted for due to the finance lease of vehicles that did not materialised

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Proceeds on Disposal of Property, Plant and Equipment:

The auctions and SCM processes did not deliver the desired returns as anticipated with the disposal of assets.

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under Other Income of Cash Flow Statement.

Decrease / (Increase) in Long-term Receivables:

Budgeted for under Other Income of Cash Flow Statement.

Loans repaid:

Over Budgeted for due to the settlement of the loans before year-end.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2016
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R	R
Current Assets												
Receivables from Exchange Transactions	-	-	-	-	-	-	-	1 051 120	-	1 051 120	0.00	0.00
Cash and Cash Equivalents	4 180 000	-	4 180 000	-	4 180 000	-	4 180 000	3 715 700	-	(464 300)	88.89	88.89
Current Portion of Finance Lease Receivables	9 276	-	9 276	-	9 276	-	9 276	3 600	-	(5 676)	38.81	38.81
Current Portion of Long-term Receivables	-	-	-	-	-	-	-	163 982	-	163 982	0.00	0.00
Non-Current Assets												
Property, Plant and Equipment	22 012 254	-	22 012 254	-	22 012 254	-	22 012 254	20 645 776	-	(1 366 478)	93.79	93.79
Intangible Assets	150 000	-	150 000	-	150 000	-	150 000	73 108	-	(76 892)	48.74	48.74
Finance Lease Receivables	65 000	-	65 000	-	65 000	-	65 000	51 166	-	(13 834)	78.72	78.72
Long-term Receivables	-	-	-	-	-	-	-	248 664	-	248 664	0.00	0.00
Total Assets	26 416 530	-	26 416 530	-	26 416 530	-	26 416 530	25 953 116	-	(463 414)	98.25	98.25
Current Liabilities												
Provisions	1 750 000	-	1 750 000	-	1 750 000	-	1 750 000	2 492 621	-	742 621	142.44	142.44
Payables from Exchange Transactions	2 526 078	-	2 526 078	-	2 526 078	-	2 526 078	5 509 830	-	2 983 752	218.12	218.12
Taxes and Transfers Payable	-	-	-	-	-	-	-	23 454	-	23 454	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	5 542 896	-	5 542 896	0.00	0.00
VAT Payable	-	-	-	-	-	-	-	102 200	-	102 200	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	51 400	-	51 400	0.00	0.00
Current Portion of Long-term Liabilities	180 000	-	180 000	-	180 000	-	180 000	102 157	-	(77 843)	56.75	56.75
Non-Current Liabilities												
Long-term Liabilities	400 000	-	400 000	-	400 000	-	400 000	# #####	-	(400 000)	0.00	0.00
Employee Benefit Liabilities	20 366 514	-	20 366 514	-	20 366 514	-	20 366 514	33 486 267	-	13 119 753	164.42	164.42
Total Liabilities	25 222 592	-	25 222 592	-	25 222 592	-	25 222 592	47 310 825	-	22 088 233	187.57	187.57
Total Assets and Liabilities	1 193 938	-	1 193 938	-	1 193 938	-	1 193 938	(21 357 709)	-	(22 551 647)	-	-
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	1 193 938	-	1 193 938	-	1 193 938	-	1 193 938	(21 357 709)	-	(22 551 647)	-	-
Total Net Assets	1 193 938	-	1 193 938	-	1 193 938	-	1 193 938	(21 357 709)	-	(22 551 647)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

The variance is mainly due to the debtor that was raised for the Insurance claim on the council vehicle that was written off during an accident in June 2016. An incident that was not foreseen during the budget process.

Cash and Cash Equivalents:

The budget amount anticipated was over budgeted to improve the financial position of the Council.

Current Portion of Finance Lease Receivables:

The Long-term Portion of Finance Lease Receivables was budgeted for under the Current Portion of Finance Lease Receivables. Therefore over budgeted for.

Current Portion of Long-term Receivables:

This debtor was created after an SARS PAYE audit was conducted which was not anticipated during the budget process.

Intangible Assets:

Cost containment measures and savings realised by buying only necessary assets.

Finance Lease Receivables:

One debtor has settled his outstanding debt in full during the year and was not foreseen during the budget process.

Long-term Receivables:

This debtor was created after an SARS PAYE audit was conducted which was not anticipated during the budget process.

Provisions:

Not budgeted for the increase in the current portions of PEMA and LSA valuation reports.

Payables from Exchange Transactions:

The variance is due to third parties that were paid after year-end and cash flow problems experienced during the financial year.

Taxes and Transfers Payables:

Budgeted for under Payables from Exchange Transactions. Variance is due to the re-classification of projects administered on behalf of Mier municipality.

Unspent Conditional Grants and Receipts:

Budgeted for under Government Grants and Subsidies Received in Revenue from Non-exchange Transactions.

VAT Payable:

VAT Receivable/VAT Payables are budgeted for under Other Income. The VAT Payable was due to gains on disposal of assets.

Operating Lease Liabilities:

Not budgeted for straight lining of Operating Leases.

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities.

Long-term Liabilities:

Over budgeted for Long-term Liabilities based on the repayments during the year and provision was made for finance lease of vehicles but the vehicles were not acquire.

Employee Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to inclusion of in-service employees and the cap amount incorrectly applied to retired employees that influence the provision valuation.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2016
FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Special Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
	R	R			R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions												
Actuarial Gains on Employee Benefits	-	-	-	-	-	-	-	31 888	-	31 888	0.00	0.00
Government Grants and Subsidies Received	56 464 000	1 000 000	57 464 000	-	57 464 000	-	57 464 000	56 598 816	-	(865 184)	98.49	100.24
Revenue from Exchange Transactions												
Rental of Facilities and Equipment	35 000	(15 000)	20 000	-	20 000	-	20 000	5 905	-	(14 095)	29.52	16.87
Interest Earned - External Investments	350 000	25 000	375 000	-	375 000	-	375 000	531 966	-	156 966	141.86	151.99
Interest Earned - Outstanding Debtors	-	5 000	5 000	-	5 000	-	5 000	24 563	-	19 563	491.26	0.00
Other Income	5 665 000	(212 500)	5 452 500	-	5 452 500	(300 000)	5 152 500	1 084 760	-	(4 067 740)	21.05	19.15
Gains on Disposal of Property, Plant and Equipment	20 000	1 630 000	1 650 000	-	1 650 000	-	1 650 000	816 054	-	(833 946)	49.46	4 080.27
Total Revenue	62 534 000	2 432 500	64 966 500	-	64 966 500	(300 000)	64 666 500	59 093 951	-	(5 572 549)	91.38	94.50
Expenditure												
Employee Related Costs	40 061 105	614 721	40 675 826	-	40 675 826	-	40 675 826	43 026 407	1 316 133	2 350 581	105.78	107.40
Remuneration of Councillors	3 720 232	(28 023)	3 692 209	-	3 692 209	-	3 692 209	3 289 960	-	(402 249)	89.11	88.43
Depreciation and Amortisation	653 218	278 818	932 036	-	932 036	(70 000)	862 036	709 393	-	(152 643)	82.29	108.60
Impairment Losses	-	125 000	125 000	-	125 000	250 000	375 000	339 367	-	(35 633)	90.50	0.00
Finance Costs	136 250	74 000	210 250	-	210 250	-	210 250	34 959	-	(175 291)	16.63	25.66
Contracted Services	988 000	(48 800)	939 200	-	939 200	40 000	979 200	709 894	-	(269 306)	72.50	71.85
Grants and Subsidies Paid	5 680 160	743 813	6 423 973	-	6 423 973	(300 000)	6 123 973	5 841 262	-	(282 711)	95.38	102.84
General Expenses	10 013 096	862 274	10 875 370	-	10 875 370	(220 000)	10 655 370	9 054 215	-	(1 601 155)	84.97	90.42
Total Expenditure	61 252 061	2 621 803	63 873 864	-	63 873 864	(300 000)	63 573 864	63 005 456	1 316 133	(568 408)	99.11	102.86
Surplus/(Deficit)	1 281 939	(189 303)	1 092 636	-	1 092 636	-	1 092 636	(3 911 505)	1 316 133	(5 004 141)	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	1 281 939	(189 303)	1 092 636	-	1 092 636	-	1 092 636	(3 911 505)	1 316 133	(5 004 141)	-	-
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit for the Year)	1 281 939	(189 303)	1 092 636	-	1 092 636	-	1 092 636	(3 911 505)	1 316 133	(5 004 141)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Financial Performance: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Actuarial Gains on Employee Benefits

Actuarial Gains is part of the movement in the Employee Benefits Liability. Therefore it was budgeted for under Employee Related Cost.

Rental of Facilities and Equipment:

Over budgeted for. Some rental contracts have been ended.

Interest Earned - External Investments:

The interest rate hikes was favourable for investors and invested at shortest possible time after Equitable funds became available. Therefore the higher returns on the call deposits made during the year.

Interest Earned - Outstanding Debtors:

The higher interest was in respect of VAT refund paid by SARS and was not budgeted for.

Other Income:

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities which did not realised.

Gains on Disposal of Property, Plant and Equipment:

Gains on disposal of PPE was over budgeted.

Remuneration of Councillors:

The variance are due to the change in the remuneration as gazetted and the change in the portfolio of councillors.

Depreciation and Amortisation:

Over budgeted for Depreciation and Amortisation.

Finance Costs:

Over budgeted for due to the finance lease of vehicles that did not materialised

Contracted Services:

Savings realised by not appointing unnecessary contractors due to cost containment measures. Repairs and Maintenance Budget is included under Contracted Services.

General Expenses :

Savings on expenditure realised due to cost containment measures.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2016

CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Special Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R	R
Executive and Council	65 000	114 000	179 000	-	179 000	(150 000)	29 000	23 568	-	(5 432)	81.27	36.26
Budget and treasury office	443 246	(350 246)	93 000	-	93 000	120 000	213 000	196 439	-	(16 561)	92.22	44.32
Corporate services	160 000	(34 400)	125 600	-	125 600	-	125 600	21 146	-	(104 454)	16.84	13.22
Technical Services	201 438	3 407	204 845	-	204 845	30 000	234 845	226 900	-	(7 945)	96.62	112.64
Total Capital Expenditure	869 684	(267 239)	602 445	-	602 445	-	602 445	468 053	-	(134 392)	77.69	53.82

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Cost containment measures and savings realised by buying only necessary assets.

Corporate services

Cost containment measures and savings realised by buying only necessary assets.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2016
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Budget Adjustments	Special Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities												
Actuarial Gains on Employee Benefits	-	-	-	-	-	-	-	31 888	-	31 888	0.00	0.00
Grants	56 464 000	1 000 000	57 464 000	-	57 464 000	-	57 464 000	59 317 500	-	1 853 500	103.23	105.05
Rental of Facilities and Equipment	-	-	-	-	-	-	-	5 905	-	5 905	0.00	0.00
Interest Received	350 000	25 000	375 000	-	375 000	-	375 000	556 529	-	181 529	148.41	159.01
Other Income	5 700 000	(728 250)	4 971 750	-	4 971 750	-	4 971 750	1 203 970	-	(3 767 780)	24.22	21.12
Employee Related Costs	(60 465 000)	1 062 309	(59 402 691)	-	(59 402 691)	-	(59 402 691)	(39 450 278)	1 316 133	19 952 413	66.41	65.24
Remuneration of Councillors	-	-	-	-	-	-	-	(3 289 960)	-	(3 289 960)	0.00	0.00
Interest Paid	(134 000)	-	(134 000)	-	(134 000)	-	(134 000)	(34 959)	-	99 041	26.09	26.09
Suppliers Paid	-	-	-	-	-	-	-	(3 079 845)	-	(3 079 845)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(14 677 306)	-	(14 677 306)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(870 000)	267 241	(602 759)	-	(602 759)	-	(602 759)	(468 053)	-	134 706	77.65	53.80
Proceeds on Disposal of Property, Plant and Equipment	20 000	1 548 500	1 568 500	-	1 568 500	-	1 568 500	3 924 000	-	2 355 500	250.18	19 620.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	19 146	19 146	19 146	0.00	0.00
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	-	29 324	-	29 324	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Loans repaid	(400 000)	-	(400 000)	-	(400 000)	-	(400 000)	(477 154)	-	(77 154)	119.29	119.29
Cash and Cash Equivalents at End of the Year	665 000	3 174 800	3 839 800	-	3 839 800	-	3 839 800	3 610 705	1 335 280	(229 095)	94.03	542.96

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Actuarial Gains on Employee Benefits

Actuarial Gains is part of the movement in the Employee Benefits Liability. Therefore it was budgeted for under Employee Related Cost.

Rental of Facilities and Equipment

Over budgeted for. Some rental contracts have been ended.

Interest Received

The interest rate hikes was favourable for investors and immediate investment of Equitable Share funds, therefore the higher returns on the call deposits made during the year.

Other Income

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities which did not realised.

Employee Related Costs

Over budgeted for as Remuneration of Councillors, Suppliers paid and Other payments were budgeted for under Employee Related Cost.

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Over budgeted for due to the finance lease of vehicles that did not materialised

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

The overall variance is due to cost containment measures and cash flow management.

Proceeds on Disposal of Property, Plant and Equipment:

The variance is mainly because of the buildings that was disposed during 2014/15 but due to the transfer of ownership that was only finalised during 2015/16 the funds was transferred by the attorneys during the year under review.

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under Other Income of Cash Flow Statement.

Decrease / (Increase) in Long-term Receivables:

Budgeted for under Other Income of Cash Flow Statement.

Loans repaid:

The budgeted amount only included the interest paid and not the capital portion therefor the variance.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2016/17	2015/16
	R	R
Net surplus/(deficit) per the statement of financial performance	(7 261 261)	(3 911 505)
Revenue from Non-exchange Transactions		
Actuarial Gains on Employee Benefits	(1 129 710)	(31 888)
Government Grants and Subsidies Received	1 961 110	865 184
Revenue from Exchange Transactions		
Rental of Facilities and Equipment	12 615	14 095
Interest Earned - External Investments	(75 580)	(156 966)
Interest Earned - Outstanding Debtors	12 370	(19 563)
Other Revenue	4 859 869	4 067 740
Gains on Disposal of Property, Plant and Equipment	150 000	833 946
Expenditure		
Employee Related Costs	5 445 826	2 350 581
Remuneration of Councillors	(529 859)	(402 249)
Depreciation and Amortisation	(27 672)	(152 643)
Impairment Losses	(12 476)	(35 633)
Finance Costs	(60 837)	(175 291)
Contracted Services	(10 986)	(269 306)
Grants and Subsidies Paid	(1 617 297)	(282 711)
General Expenses	(18 407)	(1 601 155)
Loss on Disposal of Property, Plant and Equipment	(11 934)	-
Net surplus/deficit per approved budget	1 685 771	1 092 636

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 *Revenue Recognition*

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions*: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments - Presentation* and GRAP 104: *Financial Instruments - Recognition and Measurement*.

1.2.3 *Impairment of Financial Assets*

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired.

In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.2.4 *Useful lives of Property, Plant and Equipment and Intangible assets*

As described in Accounting Policies 3.3 and 4.2 the municipality depreciates and amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.10 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 7.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Value (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the CRC for inventories involves significant judgment by management.

1.2.6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 10.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards.

The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 17 to the Annual Financial Statements.

1.2.7 *Provisions and contingent liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 11 and 41 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1.5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been approved but are not yet effective and have not been early adopted by the municipality:

GRAP 20	Related Party Disclosures
GRAP 32	Service Concessions Arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

Above Standards of GRAP were approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider in formulating an accounting policy (paragraph .30 of Directive 5), before applying the hierarchy in the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
GRAP 20 - Related Party Transactions

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land has an unlimited useful life and therefore is not depreciated. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Other</i>	
Roads and Paving	45 - 50	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
		Office Equipment	3 - 7
<i>Buildings</i>	25 - 100	Furniture and Fittings	5 - 10
		Watercraft	15
<i>Community</i>		Bins and Containers	5
Recreational Facilities	15 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3.7 Land

Land has an unlimited useful life and therefore is not depreciated.

3.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.10 Impairment of assets

3.10.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10.2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.10.3 *Transitional provisions*

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 5.

3.11 *Assets Held for Sale*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

4. *INTANGIBLE ASSETS*

4.1 *Initial Recognition*

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual value and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

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Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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6.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) *derivatives;*
- (b) *combined instruments that are designated at fair value*
- (c) *instruments held for trading.*
- (d) *non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or*
- (e) *financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.*

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes there to:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances	Financial asset at amortised cost
Cash Floats and Advances	Financial Assets at Fair Value
Finance Lease Receivable	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long Term Receivables	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost for bank balances and Call Deposits and Cash Floats and Advances as Financial Asset at Fair Value.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured are fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

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Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

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Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale of inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7.3 Transitional Provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2017 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 5.

8. REVENUE RECOGNITION

8.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8.2 Revenue from Exchange Transactions

8.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

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Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8.2.2 *Sale of Goods (including Houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8.2.3 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8.3 *Revenue from Non-exchange Transactions*

8.3.1 *Public contributions*

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

8.3.2 *Other Donations and Contributions*

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

8.3.3 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

8.3.4 *Government Grants and Receipts*

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

9. *PROVISIONS*

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

10. EMPLOYEE BENEFITS

10.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

10.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

10.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

10.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees (excluding Contract Workers). According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20 and 25 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

10.3.3 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

11. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

11.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11.3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

13. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note N/A for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in notes 33 to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

18. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

19. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

20. COMPARATIVE INFORMATION

20.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

ZF MGCWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

20.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

22. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

23. TREATMENT OF SUPPORT FUNDS RECEIVED

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspent on support rendered.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The Municipality, formerly known as Siyanda District Municipality) is a local government institution in Northern Cape, Upington and has 5 local municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2017. The principal activities of the municipality are disclosed in the Annual Report.

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Other Receivables	747 977	604 288	143 689
Payments Made In Advance	33 000	-	33 000
Other Debtors	714 977	604 288	110 689
Total Receivables from Exchange Transactions	747 977	604 288	143 689
As at 30 June 2016			
Other Receivables	1 364 149	313 029	1 051 120
Payments Made In Advance	33 000	-	33 000
Other Debtors	1 331 149	313 029	1 018 120
Total Receivables from Exchange Transactions	1 364 149	313 029	1 051 120

Receivables from Exchange Transactions have been restated to correctly classify Other Debtors. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

	2017 R	2016 R
2.1 Ageing of Receivables from Exchange Transactions		
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	58 841	872 532
<u>Past Due:</u>		
31 - 60 Days	10 808	30 265
61 - 90 Days	21 247	37 502
91 - 120 Days	15 541	19 832
+ 120 Days	641 540	404 019
Total	747 977	1 364 149

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Industrial/ Commercial R	Local Municipalities R	Other R	Total R
As at 30 June 2017				
<u>Current:</u>				
0 - 30 days	1 158	-	57 683	58 841
<u>Past Due:</u>				
31 - 60 Days	-	-	10 808	10 808
61 - 90 Days	-	-	21 247	21 247
+ 90 Days	-	-	15 541	15 541
+ 120 Days	-	223 848	417 692	641 540
Sub-total	1 158	223 848	522 971	747 977
Less: Provision for Impairment	-	223 848	380 440	604 288
Total Trade Receivables by Customer Classification	1 158	-	142 531	143 689

	Industrial/ Commercial R	Local Municipalities R	Other R	Total R
As at 30 June 2016				
<u>Current:</u>				
0 - 30 days	715 308	21 218	136 007	872 532
<u>Past Due:</u>				
31 - 60 Days	-	13 000	17 265	30 265
61 - 90 Days	-	13 000	24 502	37 502
+ 90 Days	-	13 000	6 832	19 832
+ 120 Days	66 690	191 063	146 266	404 019
Sub-total	781 997	251 281	330 871	1 364 149
Less: Provision for Impairment	-	65 083	247 946	313 029
Total Trade Receivables by Customer Classification	781 997	186 198	82 925	1 051 120

	2017 R	2016 R
2.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	313 029	123 306
<i>All Consumer Debtors</i>	313 029	123 306
Impairment Losses recognised	291 259	189 723
<i>All Consumer Debtors</i>	291 259	189 723
Impairment Losses reversed	-	-
<i>All Consumer Debtors</i>	-	-
Balance at end of year	604 288	313 029

2.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	604 288	313 029
Total	604 288	313 029

An impairment loss of R604 288 was provided on 30 June 2017 due to the uncertainty of the recoverability of the outstanding debtors.

2.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Government Subsidy Claims	114 502	-	114 502
Total Receivables from Non-exchange Transactions	114 502	-	114 502

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Government Subsidy Claims	-	-	-
Total Receivables from Non-exchange Transactions	-	-	-

ZFM budgeted for mSCOA Implementation under the 2017/18 FMG Activity Plan but implementation started in June 2017 to comply with the implementation date of mSCOA on 1 July 2017. In the 2016/17 Special Adjustment Budget the 2016/17 FMG budget amount was increased by R450 000 to prevent unauthorised expenditures and decreased the Original Budget for 2017/18 financial year. Therefore the FMG was overspent in 2016/17 financial year and funding for the R450 000 will be received during the 2017/18 financial year.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2017

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Government Subsidy Claims:					
Gross Balances	114 502	-	-	-	114 502
Less: Provision for Impairment	-	-	-	-	-
Net Balances	114 502	-	-	-	114 502

As at 30 June 2016

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Government Subsidy Claims:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

2017
R

2016
R

4. VAT RECEIVABLE / PAYABLE

VAT Receivable	274 761	
VAT Payable	-	(102 200)
VAT Receivable / (Payable)	274 761	(102 200)

VAT Payables have been restated to correctly classify Operating Lease Liabilities. Refer to Note 32 on 'Correction of Error' for details of the restatement.

VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are made before the due date.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

5. CASH AND CASH EQUIVALENTS

	2017 R	2016 R
Current Investment Deposits	513	2 674 481
Bank Accounts	287 870	1 027 353
Cash on hand	485	13 865
	<u>288 868</u>	<u>3 715 700</u>
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	<u>288 868</u>	<u>3 715 700</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

5.1 Current Investment Deposits

Call Deposits	513	2 674 481
Total Current Investment Deposits	<u>513</u>	<u>2 674 481</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 4.9% per annum.

FMG: ABSA Account 4051455519	-	1 763
MSIG: ABSA Account 4048776037	-	-
KOF: ABSA Account 1045170264	513	493
OTHER: ABSA Account 1045180260	-	2 672 225
30 Day Call Deposit	-	-
60 Day Call Deposit	-	-
90 Day Call Deposit	-	-
Total Current Investment Deposits	<u>513</u>	<u>2 674 481</u>

Deposits of R513 (2016: R2 674 481) are ring-fenced and partly attributable to Unspent Conditional Grants.

FMG: ABSA Account 4051455519

Cash book balance at beginning of year	1 763	305
Cash book balance at end of year	<u>-</u>	<u>1 763</u>

Bank statement balance at beginning of year	-	305
Bank statement balance at end of year	<u>-</u>	<u>-</u>

MSIG: ABSA Account 4048776037

Cash book balance at beginning of year	-	134
Cash book balance at end of year	<u>-</u>	<u>-</u>

Bank statement balance at beginning of year	-	134
Bank statement balance at end of year	<u>-</u>	<u>-</u>

KOF: ABSA Account 1045170264

Cash book balance at beginning of year	493	476
Cash book balance at end of year	<u>513</u>	<u>493</u>

Bank statement balance at beginning of year	493	476
Bank statement balance at end of year	<u>513</u>	<u>493</u>

OTHER: ABSA Account 1045180260

Cash book balance at beginning of year	2 672 225	1 483
Cash book balance at end of year	<u>-</u>	<u>2 672 225</u>

Bank statement balance at beginning of year	2 672 225	1 483
Bank statement balance at end of year	<u>-</u>	<u>2 672 225</u>

5.2 Bank Accounts

Cash in Bank	287 870	1 027 353
Total Bank Accounts	<u>287 870</u>	<u>1 027 353</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank Account 2240000035</i>		
Cash book balance at beginning of year	1 027 353	90 695
Cash book balance at end of year	<u>287 870</u>	<u>1 027 353</u>
Bank statement balance at beginning of year	1 027 353	90 695
Bank statement balance at end of year	<u>287 870</u>	<u>1 027 353</u>

5.3 Cash on hand

Cash Floats and Advances	485	13 865
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>485</u>	<u>13 865</u>

Petty Cash Bank Account

ABSA Bank Account 9266723639

Cash book balance at beginning of year	13 865	11 901
Cash book balance at end of year	<u>485</u>	<u>13 865</u>
Bank statement balance at beginning of year	13 865	11 901
Bank statement balance at end of year	<u>485</u>	<u>13 865</u>

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

6. CURRENT PORTION OF LONG-TERM RECEIVABLES

Employee PAYE Debtors	93 830	128 089
Performance Bonus Debtors	73 377	35 893
Acting Allowance Debtors	2 902	-
	<u>170 108</u>	<u>163 982</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2017

Reconciliation of Carrying Value

Description	Land	Buildings	Land and Buildings	Other Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2016	17 976 000	1 028 000	19 004 000	1 641 776	20 645 776
Cost	17 976 000	2 056 000	20 032 000	5 116 576	25 148 576
Accumulated Depreciation:	-	(1 028 000)	(1 028 000)	(3 474 800)	(4 502 800)
Acquisitions	-	-	-	1 521 685	1 521 685
Depreciation:	-	(82 240)	(82 240)	(446 733)	(528 973)
Carrying value of Disposals:	-	-	-	(46 004)	(46 004)
- Cost	-	-	-	(226 866)	(226 866)
- Accumulated Depreciation	-	-	-	180 863	180 863
Carrying values at 30 June 2017	17 976 000	945 760	18 921 760	2 670 725	21 592 485
Cost	17 976 000	2 056 000	20 032 000	6 411 395	26 443 395
Accumulated Depreciation:	-	(1 110 240)	(1 110 240)	(3 740 670)	(4 850 910)

30 June 2016

Reconciliation of Carrying Value

Description	Land	Buildings	Land and Buildings	Other Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2015	18 516 000	2 694 785	21 210 785	2 724 627	23 935 412
Cost	18 516 000	3 716 000	22 232 000	6 430 753	28 662 753
Accumulated Depreciation:	-	(1 021 215)	(1 021 215)	(3 706 127)	(4 727 341)
Acquisitions	-	-	-	468 053	468 053
Depreciation:	-	(115 316)	(115 316)	(534 427)	(649 743)
Carrying value of Disposals:	(540 000)	(1 551 470)	(2 091 470)	(1 016 476)	(3 107 946)
- Cost	(540 000)	(1 660 000)	(2 200 000)	(1 782 230)	(3 982 230)
- Accumulated Depreciation	-	108 531	108 531	765 754	874 284
Carrying values at 30 June 2016	17 976 000	1 028 000	19 004 000	1 641 776	20 645 776
Cost	17 976 000	2 056 000	20 032 000	5 116 576	25 148 576
Accumulated Depreciation:	-	(1 028 000)	(1 028 000)	(3 474 800)	(4 502 800)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2017 R	2016 R
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
At Carrying Amount:		
Other	2 476	-
Gross Carrying Amount of PPE fully depreciated and still in use	2 476	-

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

Refer to Note 31 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

The Municipality did not pledge any of its assets as security, except for Leases Assets.

7.4 Impairment of Property, Plant and Equipment

No Property, Plant and Equipment were impaired from active use during the financial year.

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2016/17:

Administration	(2 171)	(560)
Asset Management Unit	(489)	(257)
Budget and treasury office	(3 843)	-
Communication & Liaison	(1 279)	-
Council Administration	(75)	(2 561)
Council Services	(4 596)	(3 914)
Disaster Management	(117)	-
Economic Development/Planning	-	(86)
Engineering Services	(217)	(1 165)
Environmental Health	(172)	(3 067)
Financial Services	(5 153)	(2 175)
Housing Accreditation	(5 347)	(1 086)
Human Resources	(4 344)	(5 613)
Information Technology	(6 535)	(88 813)
Internal Audit	(893)	(84)
Municipal Manager	(2 529)	(1 677)
PIMMS	(539)	(943)
Property Services	(3 483)	(7 702)
Risk Management	-	(267)
Supply Chain Management	(493)	-
Technical Support Services	(9)	(1 820)
Tourism	(3 145)	(1 439)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(45 429)	(123 229)

7.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7.7 Repairs and Maintenance

Repairs and Maintenance expenditures of Property, Plant and Equipment are disclosed under Contracted Services, refer Note 28.

7.8 Compensation received for Losses

Compensation, included in Operating Surplus, was received for Property, Plant and Equipment lost during the year:

Compensation received from insurers	3 352	794 859
Carrying value of lost assets	(18 273)	(702 602)
Surplus / (Deficit) on Compensation received for Lost PPE	(14 921)	92 257

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7.9 Correction of Error

Property Plant and Equipment have been restated to correctly classify derecognised depreciation. Refer to Note 32 on 'Correction of Error' for details of the restatement.

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

2017 R	2016 R
198 994	73 108
0	0

The movement in Intangible Assets is reconciled as follows:

30 June 2017

Carrying values at 01 July 2016

	Computer Software	Total
Cost	407 146	407 146
Accumulated Amortisation	(334 038)	(334 038)

Acquisitions:	185 684	185 684
Purchased	185 684	185 684

Amortisation:	(59 798)	(59 798)
Purchased	(59 798)	(59 798)

Carrying values at 30 June 2017

Cost	592 830	592 830
Accumulated Amortisation	(393 836)	(393 836)

	Computer Software	Total
	198 994	198 994

30 June 2016

Carrying values at 01 July 2015

Cost	407 146	407 146
Accumulated Amortisation	(274 388)	(274 388)

Acquisitions:	-	-
Purchased	-	-

Amortisation:	(59 649)	(59 649)
Purchased	(59 649)	(59 649)

Carrying values at 30 June 2016

Cost	407 146	407 146
Accumulated Amortisation	(334 038)	(334 038)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 25).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The Municipality's intangible assets only comprise of computer related software.

8.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

8.4 Change in Estimate - Useful Life of Intangible Assets reviewed

The estimated useful lives of Intangible Assets were reviewed on 30 June 2017 but no changes were made by the Municipality

9 FINANCE LEASE RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Housing Selling Scheme Loans	54 396	35 514	18 882
	<u>54 396</u>	<u>35 514</u>	<u>18 882</u>
Less: Current Portion transferred to Current Receivables:- Housing Selling Scheme Loans			3 600
			<u>3 600</u>
Total Non-current Finance Lease Receivables			<u>15 282</u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Housing Selling Scheme Loans	54 766	-	54 766
	<u>54 766</u>	<u>-</u>	<u>54 766</u>
Less: Current Portion transferred to Current Receivables:- Housing Selling Scheme Loans			3 600
			<u>3 600</u>
Total Finance Lease Receivables			<u>51 166</u>

Finance Lease Receivables have been restated to correctly disclose the short-term portion. Refer to Note 32 on 'Correction of Error' for details of the restatement.

HOUSING SELLING SCHEME LOANS

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

9.1 Leasing Arrangements

The Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

9.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017 R	2016 R	2017 R	2016 R
Within one year	7 286	7 286	7 286	7 286
In the second to fifth years, inclusive	29 145	29 145	29 145	29 145
Over five years	34 005	41 291	34 005	41 291
	<u>70 436</u>	<u>77 722</u>	<u>70 436</u>	<u>77 722</u>
Less: Unearned Finance Income	16 040	22 957	16 040	22 957
Present Value of Minimum Lease Payments Receivable	54 396	54 766	54 396	54 766
Provision for Uncollectable Lease Receivables	(35 514)	-	(35 514)	-
Total Finance Lease Receivables	<u>18 882</u>	<u>54 766</u>	<u>18 882</u>	<u>54 766</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	15 282	51 166
Current Finance Lease Receivables	3 600	3 600
Total Finance Lease Receivables	18 882	54 766

The interest rate inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2016: 5%) per annum.

Management of the Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

9.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	-	-
Impairment Losses recognised	35 514	-
Balance at end of year	35 514	-

In determining the recoverability of a Finance Lease Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Finance Lease Receivables exists predominantly due to the possibility that these debts will not be recovered. Finance Lease Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

9.4 Ageing of impaired Finance Lease Receivables

Current:

0 - 30 Days	-	-
-------------	---	---

Past Due:

31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	35 514	-
Total	35 514	-

10 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Employee PAYE Debtors	319 722	181 797	137 925
Performance Bonus Debtors	107 680	-	107 680
Acting Allowance Debtors	5 562	-	5 562
	<u>432 963</u>	<u>181 797</u>	<u>251 167</u>
Less: Current Portion transferred to Current Receivables:-			170 108
Employee PAYE Debtor			93 830
Performance Bonus Debtors			73 377
Acting Allowance Debtors			2 902
Total Long-term Receivables			83 960

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Employee PAYE Debtors	417 454	148 381	269 073
Performance Bonus Debtors	143 573	-	143 573
	<u>561 027</u>	<u>148 381</u>	<u>412 646</u>
Less: Current Portion transferred to Current Receivables:-			163 982
Employee PAYE Debtor			128 089
Performance Bonus Debtors			35 893
Total Long-term Receivables			248 664

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Long-term Receivables have been restated to correctly reclassify Debtors as Long-term Debtors. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Employee PAYE Debtors for Reimbursed Allowances

During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Allowances on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax and interest of R481 026 were charged by SARS which were paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 January 2019.

Performance Bonus Debtors

Performance bonuses were paid outside the payroll system and was incorrectly loaded onto the payroll system resulted in an over payment of Performance Bonusses. ZFM will recover this amount from employees over a 3 year period with no interest, ending 30 September 2019.

Acting Allowance Debtors

An Acting Allowance was incorrectly paid out to an employee. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 May 2020.

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

A provision for impairment of R181 797 (2016: R148 381) has been made as management have concerns over the recoverability of these assets.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

	2017 R	2016 R
10.1 Ageing of Long-term Receivables		
<u>Current:</u>		
0 - 30 days	251 167	412 646
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	181 797	148 381
Total	432 963	561 027

As at 30 June Long-term Receivables of R432 963 (2016: R561 027) were past due of which R181 797 (2016: R148 381) were impaired. No terms for payment have been re-negotiated.

10.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	148 381	-
Impairment Losses recognised	33 416	148 381
Balance at end of year	181 797	148 381

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

10.3 Ageing of impaired Long-term Receivables

<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	181 797	148 381
Total	181 797	148 381

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11 PROVISIONS

	2017 R	2016 R
Performance Bonuses	473 897	481 344
Current Portion of Employee Benefits Liability (See Note 17):	2 089 513	2 011 278
Post-retirement Health Care Benefits Liability	1 751 821	1 636 896
Long Service Awards	337 692	374 382
Total Provisions	2 563 410	2 492 621

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Provisions have been restated to correctly classify Employee Benefits regarding Provision for Post-retirement Health Care Benefits. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The movement in provisions are reconciled as follows:

Performance Bonuses:

Balance at beginning of year	481 344	418 680
Contributions to provision	439 305	541 241
Expenditure incurred	(446 752)	(478 577)
Balance at end of year	473 897	481 344

Current Portion of Employee Benefits Liability:

	Long Service Awards R	Post-retirement Health Care Benefits Liability R	Total R
30 June 2017			
Balance at beginning of year	374 382	1 636 896	2 011 278
Contributions to provision	211 032	1 904 177	-
Expenditure incurred	(247 722)	(1 789 252)	-
Balance at end of year	337 692	1 751 821	2 011 278

	Long Service Awards R	Post-retirement Health Care Benefits Liability R	Total R
30 June 2016			
Balance at beginning of year	253 971	1 232 688	1 486 659
Contributions to provision	221 853	1 949 918	-
Expenditure incurred	(101 442)	(1 545 710)	-
Balance at end of year	374 382	1 636 896	1 486 659

12 PAYABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Trade Creditors	4 894 834	3 334 592
Creditors	2 156 326	1 309 660
Salary Suspense	2 554 967	1 858 044
Accrual	183 541	166 887
Staff Leave Accrued	2 226 744	1 600 629
Retentions	297 476	297 476
Support Accounts	1 644 586	277 133
Total Creditors	9 063 639	5 509 830

Payables from Exchange Transactions have been restated to correctly classify Trade Creditors. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Staff Leave accrues to the staff of the Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Support Accounts are money received to render support services to Local Municipalities. All expenditures are recorded in separate suspense accounts so that ZFM District Municipality can have more control over the costing of support services. Admin fees, actual travel costs, subsistence allowances and professional fees are deducted from these suspense accounts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

13 TAXES AND TRANSFERS PAYABLE

Health & Aids Project Account
Total Payables

2017 R	2016 R
151 691	23 454
151 691	23 454

Taxes and Transfers payable have been restated to correctly reclassify Taxes and Transfers Payables as Unspent Conditional Grants. Refer to Note 32 on 'Correction of Error' for details of the restatement.

No credit period exists for Taxes and Transfers Payable, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Government

National Government Grants
 Provincial Government Grants

Total Conditional Grants and Receipts

5 104 128	5 542 896
2 200 144	1 691 255
2 903 984	3 851 640
5 104 128	5 542 896

Unspent Conditional Grants and Receipts have been restated to correctly reclassify Taxes and Transfers Payables as Unspent Conditional Grants. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The Unspent Conditional Grants are only cash backed by Cash and Cash Equivalents of R288 868 (Note 5), VAT Receivables of R274 761 (Note 4) and Receivable from Exchange Transactions of R143 689 (Note 2).

Refer to Note 19 for the reconciliation of Grants from Government Receipts. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

An amount of R50 000 was withheld by National Treasury in 2015/16 financial year due to an unspent portion of MSIG in 2014/15 financial year. Refer to the unspent portion in Note 19.2 below.

Refer to Appendix "F" for more detail on Conditional Grants.

15 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	51 400	22 764
Operating Lease expenses recorded	(576 084)	(526 902)
Operating Lease payments effected	555 537	555 537
Total Operating Lease Liabilities	30 853	51 400

Operating Leases have been restated to correctly classify Operating Lease expenditures. Refer to Note 32 on 'Correction of Error' for details of the restatement.

15.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Rental of Office space (Ancorley Building) with lease terms of 3 years ending 31 January 2018, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

15.2 Amounts payable under Operating Leases

At the Reporting Date the Municipality had outstanding commitments under Non-cancellable Operating Leases, which fall due as follows:

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Buildings:	404 605	1 061 341
Up to 1 year	404 605	656 736
2 to 5 years	-	404 605
More than 5 years	-	-
Total Operating Lease Arrangements	404 605	1 061 341

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	576 084	526 902
Total Operating Lease Expenses	576 084	526 902

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Rental of Office Space:

- (i) The building shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.
- (iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.

16 LONG-TERM LIABILITIES

Annuity Loans	-	102 157
Sub-total	-	102 157
Less: Current Portion transferred to Current Liabilities:-	-	102 157
Annuity Loans	-	102 157
Total Long-term Liabilities (Neither past due, nor impaired)	-	-

16.1 Summary of Arrangements

Annuity Loans are repaid over a period of 20 years (2016: 20 years) and at an interest rate of 10% (2016: 10%) per annum. The Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17 EMPLOYEE BENEFIT LIABILITIES

Provision for Post-retirement Health Care Benefits Liability	Note 17.1	31 520 861	30 719 733
Provision for Long Service Awards	Note 17.2	3 070 637	2 766 534
Total Non-current Provisions		34 591 498	33 486 267

17.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	32 356 629	24 758 741
Correction on Opening Balance	-	4 378 617
Actuarial losses / (gains)	(1 095 144)	1 529 871
Increase due to Discounting	3 800 449	3 235 109
Expenditure incurred	(1 789 252)	(1 545 710)
Balance at end of Year	33 272 682	32 356 629
Transfer to Current Provisions	(1 751 821)	(1 636 896)
Total Post-retirement Health Care Benefits Liability	31 520 861	30 719 733

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2017	2016
	R	R
In-service Members (Employees)	56	55
In-service Non-members (Employees)	48	46
Continuation Members (Retirees, widowers and orphans)	31	31
Total Members	135	132

The liability in respect of past service has been estimated as follows:

In-service Members (Employees)	8 578 828	6 916 065
In-service Non-members (Employees)	1 988 882	2 006 639
Continuation Members	22 704 972	23 433 925
Total Liability	33 272 682	32 356 629

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2017 is R850 877 where as the cost for the ensuing year is estimated to be R872 290 (30 June 2019: R955 067).

The Interest Cost for the year ending 30 June 2017 is R2 949 572 where as the cost for the ensuing year is estimated to be R3 076 218 (30 June 2019: R3 278 361).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.49%	9.35%
Health Care Cost Inflation Rate	7.77%	8.43%
Net Effective Discount Rate	1.59%	0.84%
Expected Rate of Salary Increase	7.36%	6.00%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	32 356 629	29 137 358
Current service costs	850 877	710 539
Interest cost	2 949 572	2 524 570
Benefits paid	(1 789 252)	(1 545 710)
Actuarial gains	(1 095 144)	-
Actuarial losses	-	1 529 871
Present Value of Fund Obligation at the end of the Year	33 272 682	32 356 629
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	33 272 682	32 356 629

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	33 272 682	32 356 629
Fair value of plan assets	-	-
	33 272 682	32 356 629
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	33 272 682	32 356 629
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	33 272 682	32 356 629

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	850 877	710 539
Interest cost	2 949 572	2 524 570
Benefits paid	(1 789 252)	(1 545 710)
Actuarial losses gains	(1 095 144)	-
Actuarial losses	-	1 529 871
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	916 053	3 219 271

	2017 R	2016 R	2015 R	2014 R	2013 R
The history of experienced adjustments is as follows:					
Present Value of Defined Benefit Obligation	33 272 682	32 356 629	29 137 358	24 213 648	20 544 002
Fair Value of Plan Assets	-	-	-	-	-
Deficit	33 272 682	32 356 629	29 137 358	24 213 648	20 544 002

History of experience adjustments:

Gains and Losses:

Experienced adjustments on Plan Liabilities	2 157 000	1 764 000	(485 000)	(506 000)	1 841 000
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Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2017 R	2016 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	4 116 200	3 531 500
Effect on the defined benefit obligation	36 071 000	35 388 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3 484 500	2 938 200
Effect on the defined benefit obligation	30 614 000	29 546 000

The Municipality expects to make a contribution of R1 751 821 (30 June 2016: R1 636 896) to the Defined Benefit Plans during the next financial year.

Refer to Note 39, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

Refer to Note 32, "Correction of Error", to the Annual Financial Statements for more information regarding the prior year correction to the Post-retirement Health Care Benefits Liability.

17.2 Long Service Awards

Balance at beginning of Year	3 140 916	2 784 058
Actuarial losses / (gains)	(34 566)	(31 888)
Increase due to Discounting	549 701	490 188
Expenditure incurred	(247 722)	(101 442)
Balance at end of Year	3 408 329	3 140 916
Transfer to Current Provisions	(337 692)	(374 382)
Total Long Service Awards Liability	3 070 637	2 766 534

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, and every 1 year after 25 years of continuous service, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 104 (2016: 101) employees were eligible for Long-service Awards.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Current-service Cost for the year ending 30 June 2017 is estimated to be R292 961, whereas the cost for the ensuing year is estimated to be R288 683 (30 June 2019: R313 428).

The Interest Cost for the year ending 30 June 2017 is estimated to be R256 740, whereas the cost for the ensuing year is estimated to be R277 977 (30 June 2019: R294 091).

	2017 R	2016 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.57%	8.68%
Net Effective Discount Rate	2.04%	1.26%
Expected Rate of Salary Increase (Long term)	6.40%	7.33%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	3 140 916	2 784 058
Current service costs	292 961	270 275
Interest cost	256 740	219 913
Benefits paid	(247 722)	(101 442)
Actuarial Loss/(Gains)	(34 566)	(31 888)
Present Value of Fund Obligation at the end of the Year	3 408 329	3 140 916
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	3 408 329	3 140 916

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3 408 329	3 140 916
	3 408 329	3 140 916
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	3 408 329	3 140 916
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	3 408 329	3 140 916

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	292 961	270 275
Interest cost	256 740	219 913
Expenditure incurred	(247 722)	(101 442)
Actuarial Loss/(Gains)	(34 566)	(31 888)
	267 413	356 858

	2017 R	2016 R	2015 R	2014 R	2013 R
The history of experienced adjustments is as follows:					
Present Value of Defined Benefit Obligation	3 408 329	3 140 916	2 784 058	2 798 966	1 373 892
Deficit	3 408 329	3 140 916	2 784 058	2 798 966	1 373 892

History of experience adjustments:

Gains and Losses:

Experienced adjustments on Plan Liabilities	167 088	48 784	(112 056)	72 551	325 940
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Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2017 R	2016 R
The effect of a 1% salary movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	600 300	537 500
Effect on the defined benefit obligation	3 658 000	3 397 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	504 800	448 400
Effect on the defined benefit obligation	3 184 000	2 913 000

The Municipality expects to make a contribution of R337 692 (2016: R374 382) to the defined benefit plans during the next financial year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
		R	R
17.3 Actuarial Gains on Employee Benefits on Statement of Financial Performance:			
Post-retirement Health Care Benefits	Note 17.1	1 095 144	-
Long Service Awards	Note 17.2	34 566	31 888
Total Actuarial Gains on Employee Benefits		1 129 710	31 888

18 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	(28 618 970)	(21 357 709)
Total Accumulated Surplus	(28 618 970)	(21 357 709)

Accumulated Surplus has been restated to correctly classify amounts held by the Municipality. Refer to Note 32 ('Correction of error') for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

19 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	51 034 000	50 187 000
Operational Grants	51 034 000	50 187 000

Conditional Grants

	6 587 270	6 411 816
National: MSIG	-	980 000
National: FMG	1 364 502	1 250 000
National: Rural Roads Asset Management Systems Grant	2 410 651	780 589
National: EPWP Incentive Grant	764 460	925 156
Provincial: Disaster Management - Near Project Subsidy	605 836	339 286
Provincial: Disaster Management - Fire Equipment Grant	15 606	337 241
Provincial: Housing Accreditation DPLG National	326 875	1 182 271
Provincial: Kgotso Pula Nala	1 099 340	617 274
Total Government Grants and Subsidies	57 621 270	56 598 816

Government Grants and Subsidies have been restated to correctly classify Kgotso Pula Nala expenditures as Unspent Conditional Grants. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Operational Grants:

19.1 National: Equitable Share	51 034 000	50 187 000
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In terms of the Constitution, this grant was used in the 2017 financial year under review according to the conditions set out by the Division of Revenue Act, 2016.

An amount of R50 000 was withheld by National Treasury in 2015/16 financial year due to an unspent portion of MSIG in 2014/15 financial year. Refer to the unspent portion in Note 19.2 below.

In the current financial year the grant was used for operational expenses.

Conditional Grants:

19.2 National: MSIG

Balance unspent at beginning of year	-	50 000
Current year receipts	-	930 000
Conditions met - transferred to Revenue: Operating Expenses	-	(850 088)
Conditions met - transferred to Revenue: Capital Expenses	-	(129 912)
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-

The Municipal Systems Improvement Grant is allocated to assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy. The grant is spent according to an approved business plan. No funds have been withheld.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
19.3 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met for 2017/18 - transferred to Revenue: Operating Expenses	(114 502)	-
Conditions met - transferred to Revenue: Operating Expenses	(1 032 278)	(1 250 000)
Conditions met - transferred to Revenue: Capital Expenses	(217 722)	-
Conditions already met - transferred to Receivables from Non-Exchange Transactions (Note 3)	<u>(114 502)</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the Municipality.

ZFM budgeted for mSCOA Implementation under the 2017/18 FMG Activity Plan but implementation started in June 2017 to comply with the implementation date of mSCOA on 1 July 2017. In the 2016/17 Special Adjustment Budget the 2016/17 FMG budget amount was increased by R450 000 to prevent unauthorised expenditures and decreased the Original Budget for 2017/18 financial year. Therefore the FMG was overspent in 2016/17 financial year and funding for the R450 000 will be received during the 2017/18 financial year.

19.4 National: Rural Road Asset Management Systems Grant

Balance unspent at beginning of year	1 616 411	-
Current year receipts	2 684 000	2 397 000
Conditions met - transferred to Revenue: Operating Expenses	(2 410 651)	(704 709)
Conditions met - transferred to Revenue: Capital Expenses	-	(75 880)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1 889 761</u>	<u>1 616 411</u>

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

19.5 National: EPWP Incentive Grant

Balance unspent at beginning of year	74 844	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(747 963)	(925 156)
Conditions met - transferred to Revenue: Capital Expenses	(16 497)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>310 383</u>	<u>74 844</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

19.6 Provincial: Disaster Management - Near Project Subsidy

Balance unspent at beginning of year	392 926	732 212
Current year receipts	350 000	-
Conditions met - transferred to Revenue: Operating Expenses	(605 836)	(339 286)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>137 090</u>	<u>392 926</u>

To enhance Municipalities capacity to deal with disasters and emergencies. COGHSTA paid the 2015/16 grant funds during June 2015.

19.7 Provincial: Disaster Management - Fire Equipment Grant

Balance unspent at beginning of year	164 399	501 639
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	(15 606)	(337 241)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>148 792</u>	<u>164 399</u>

To enhance Municipalities capacity to deal with fire incidents. COGHSTA paid the 2015/16 grant funds during June 2015.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
19.8 DRD Sewer network and oxidation ponds RVM V/V		
Balance unspent at beginning of year	289 435	289 435
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>289 435</u>	<u>289 435</u>

This grant was used to build a sewerage and water infrastructure as part of the upgrading of informal settlement areas. Funds received for example implementation readiness study for Riemvasmaak Mission Water pipeline. The outstanding balance has been withheld until the service provider has completed the project.

19.9 Provincial: Housing Accreditation DPLG National

Balance unspent at beginning of year	68 655	1 250 926
Current year receipts	750 000	-
Conditions met - transferred to Revenue: Operating Expenses	(326 875)	(1 134 433)
Conditions met - transferred to Revenue: Capital Expenses	-	(47 837)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>491 780</u>	<u>68 655</u>

The purpose of this grant was to allow the Municipality to build capacity in-house for the performing of the housing function. COGHSTA paid the 2015/16 grant funds during June 2015.

19.10 Provincial: Kgotso Pula Nala

Balance unspent at beginning of year	2 936 226	-
Current year receipts	-	3 553 500
Conditions met - transferred to Revenue: Operating Expenses	(1 099 340)	(617 274)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1 836 886</u>	<u>2 936 226</u>

This grant was allocated to the Municipality for a cleaning project. All conditions attached to the grant were met. No funds have been withheld.

19.11 Summary of Conditional Grants:

Balance unspent at beginning of year	5 542 896	2 824 212
Current year receipts	6 034 000	9 130 500
Conditions met for 2017/18 - transferred to Revenue: Operating Expenses	(114 502)	-
Conditions met - transferred to Revenue: Operating Expenses	(6 238 549)	(6 158 188)
Conditions met - transferred to Revenue: Capital Expenses	(234 219)	(253 629)
Conditions still to be met - transferred to Liabilities	<u>4 989 626</u>	<u>5 542 896</u>

Grants classified under Receivables from Non-exchange Transactions (see Note 3)	114 502	-
Unspent Conditional Grants - Current Liabilities (see Note 14)	<u>5 104 128</u>	<u>5 542 896</u>

20 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	7 385	5 905
Total Rental of Facilities and Equipment	<u>7 385</u>	<u>5 905</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
21 INTEREST EARNED		
External Investments:		
Investments and Bank Account	725 580	531 966
	725 580	531 966
Outstanding Debtors:		
Finance Leases	2 630	4 034
Other Outstanding Debtors - SARS	-	20 529
	2 630	24 563
Total Interest Earned	728 210	556 529
22 OTHER INCOME		
Admin Revenue	391 292	735 108
LGSETA	62 450	147 317
Grants	184 200	405 350
Support to Local Municipalities	27 840	98 515
Other	116 802	83 926
Commission - Insurance	29 736	37 646
Monies sundries	121 178	61 137
Shared Services	-	156 000
Tender Deposits	-	3 089
Internal Rental Income - Vehicles	89 315	91 780
Total Other Income	631 521	1 084 760
23 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	30 293 977	27 021 727
Senior Management: Basic Salary	2 012 504	1 826 822
Basic Salaries and Wages	25 664 159	23 033 206
Contribution to Leave Fund	535 964	343 358
Service Bonuses	2 081 351	1 818 341
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 710 982	5 688 181
Senior Management: Medical	90 900	71 153
Medical	1 575 701	1 295 554
Pension	4 480 247	3 876 831
Industrial Council Levy	7 837	7 690
Skills Development Levy	381 968	275 948
UIF	174 330	161 006
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4 820 826	4 182 060
Senior Management Allowances: Travelling	1 433 372	1 494 320
Allowances	3 387 453	2 687 740
Housing Benefits and Allowances	397 090	338 030
Senior Management: Housing Subsidy	31 200	31 200
Housing Subsidy	365 890	306 830
Performance Bonuses	439 305	541 241
Defined Benefit Plan Expense:	4 350 150	5 255 169
- Long Service Awards		
Current Service Cost	292 961	270 275
Interest Cost	256 740	219 913
- Post-retirement Health Care Benefits Liability		
Current Service Cost	850 877	710 539
Interest Cost	2 949 572	2 524 570
Net Actuarial losses recognised	-	1 529 871
Total Employee Related Costs	47 012 330	43 026 407

Employee Related Costs has been restated to correctly classified. Refer to Note 32 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager:</i>		
Annual Remuneration	1 000 000	967 463
Bonus	102 500	81 000
Performance Bonus	221 131	204 152
Car and Other Allowances	680 427	652 546
Company Contributions to Medical and Pension Funds	18 253	17 490
Total	2 022 311	1 922 650
<i>Remuneration of Director: Financial Services</i>		
Annual Remuneration	453 175	406 361
Bonus	43 937	40 363
Performance Bonus	108 988	109 003
Scares Skills Allowance	80 726	53 817
Car Allowance	349 251	463 562
Company Contributions to Medical and Pension Funds	55 655	53 170
Cellphone Allowance	-	4 800
Housing	15 600	15 600
Total	1 107 332	1 146 676
<i>Remuneration of the Director: Technical Services (Seconded to Kai Garib Local Municipality)</i>		
Acting Allowance	54 076	102 030
Performance Bonus	-	56 420
Total	54 076	158 450
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	478 602	452 999
Performance Bonus	116 633	109 003
Car Allowance	403 694	378 211
Acting Allowance	48 545	-
Company Contributions to Medical and Pension Funds	143 640	134 126
Housing	15 600	15 600
Total	1 206 714	1 089 939

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-		
Municipal Manager	93 840	116 640
Director: Financial Services	66 085	46 821
Director: Technical Services	110 592	87 935
Director: Corporate Services	42 721	21 984
Total	313 238	273 379

Refer to Appendix G for more detail.

24 REMUNERATION OF COUNCILLORS

Mayor	551 722	565 453
Speaker	466 347	383 897
Executive Committee Members	1 064 737	1 207 259
Councillors	228 117	207 463
Company Contributions to UIF, Medical and Pension Funds	38 819	33 785
UIF	10 019	2 098
Skills Development Levy	28 800	31 687
Other Allowances (Cellular Phones, Housing, Transport, etc.)	879 209	892 105
Telephone Allowance	127 671	133 469
Travelling Allowance	751 537	758 636
Total Councillors' Remuneration	3 228 951	3 289 960

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Tools of Trade Benefits

The Councillors occupying the positions of Executive Mayor and Speaker of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has use of Council owned vehicles for official duties.

Refer to Appendix G for more detail.

25 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment

Amortisation: Intangible Assets

Total Depreciation and Amortisation

2017 R	2016 R
528 973	649 743
59 798	59 649
588 771	709 393

Depreciation has been restated to correctly classify derecognised depreciation. Refer to Note 32 on 'Correction of Error' for details of the restatement.

26 IMPAIRMENT LOSSES

26.1 Impairment Losses on Financial Assets

Impairment Losses Recognised (written off during the current year):

Receivables from Exchange Transactions

Note 2

Long-term Receivables

Note 10

17 555	1 263
17 555	
-	1 263

Movement in the Provision:

Receivables from Exchange Transactions

Note 2

Finance Lease Receivables

Note 9

Long-term Receivables

Note 10

360 188	338 104
291 259	189 723
35 514	-
33 416	148 381

Total Impairment Losses

377 744	339 367
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An impairment loss was provided during the 2016/17 financial year due to the uncertainty of the recoverability of outstanding debtors of R377 744 .

27 FINANCE COSTS

Long-term Liabilities

5 132

34 090

Fleet Petrol Cards

32

869

Total Interest Paid on External Borrowings

5 163	34 959
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28 CONTRACTED SERVICES

Professional Fees

8 949

28 252

Repairs and Maintenance

692 225

681 642

Land and Buildings: Buildings

56 470

97 177

Other Assets: Furniture and Fittings

5 362

16 971

Other Assets: Office Equipment

198 615

158 175

Other Assets: Motor Vehicles - General

18 476

28 704

Intangibles: Computer Software & Programming

413 303

380 615

Total Contracted Services

701 174	709 894
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Contracted Services have been restated to correctly classify Repairs and Maintenance expenditure incurred during the 2015/16 financial year, previously separately disclosed in the Statement of Financial Performance. Refer to Note 32 on Correction of Error for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R
29 GRANTS AND SUBSIDIES PAID		
Conditional Grants Paid	5 943 916	5 841 262
Total Grants and Subsidies	5 943 916	5 841 262

Grants and Subsidies Paid have been restated to correctly classify Kgotsso Pula Nala expenditures as Unspent Conditional Grants. Refer to Note 32 on 'Correction of Error' for details of the restatement.

These expenditure were incurred in respect of operational conditional grants.

30 GENERAL EXPENSES

Included in General Expenses are the following:

External Audit Fees	2 553 658	2 112 926
Advertisements	61 066	39 371
Bank charges	70 537	116 183
Cleaning materials	5 200	18 216
Cleaning Services	5 017	35 453
Compensation Commissioner	243 521	369 372
Congress	8 000	-
Consumables	-	41 240
Contracts	333 776	291 987
Electricity	425 276	367 445
Entertainment Costs	172 537	187 306
Fruitless	23 837	6 560
Fuel and Oil	267 164	272 455
Information Technology	152 219	23 445
Insurance	298 470	271 087
Internet Charges	98 343	73 845
Legal Fees	86 902	36 666
License Fees	6 568	7 552
Mayoral Funds	65 289	117 655
Medical examinations	493	2 610
Membership Fees	513 900	500 000
Parts	9 589	20 700
Performance management	57 814	56 815
Postage Fees	9 869	6 363
Printing & Stationary	52 984	53 703
Property rates	115 266	130 379
Rental of assets	1 144 166	1 036 480
Risk and Audit Committee	178 185	168 707
Sanitation and sewerage	43 905	40 834
SPLUMA	6 560	27 765
Study aid	15 235	500
Subsistence Allowance	581 385	739 212
Sundry Expenses	29 840	2 142
Telephone	693 103	735 878
Tourism	51 036	3 536
Training	57 339	-
Travel Costs	1 008 848	1 064 230
Uniforms	-	702
Vehicle expenses	23 209	41 991
Water costs	28 135	32 905
Total General Expenses	9 498 242	9 054 215

General Expenses have been restated to correctly reclassify expenditures in General Expenses. Refer to Note 32 on 'Correction of Error' for details of the restatement.

No other extra-ordinary expenses were incurred.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
31 PROFIT / LOSS ON DISPOSAL OF ASSETS		
Disposal of PPE consists out of the following:		
Losses/(Gains) on disposal of Buildings	-	(913 531)
Losses/(Gains) on disposal of Other Assets	1 762	208 581
Losses/(Gains) on write-offs of Other Assets	21 304	(111 104)
Net Loss / (Profit) on disposal of PPE	23 066	(816 054)
<p>Every year an auction is held to dispose old and unused assets that were written off by Council on year-end. One Council vehicle was also written off in June 2016 but the proceeds from the Insurance Company were paid out in August 2017 and therefore a Debtor was raised on 30 June 2016. Total proceeds on PPE received during the current financial year were R22 937 (2016: R3 924 000).</p>		
32 CORRECTION OF ERROR		
<p>Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2017 and 30 June 2016.</p> <p>Details of the appropriations are as follows:</p>		
Opening balance surplus account (excluding Surplus/Deficit)	(21 357 709)	(13 127 780)
Published Surplus / (deficit) for the year	(7 261 261)	(2 591 773)
	(28 618 970)	(15 719 553)
Corrections on Opening balance:	-	(4 318 424)
Correction of 2013/14 Receivables from Exchange Transactions	-	58 976
Correction of 2014/15 Operating Lease Liabilities	-	1 217
Correction of 2014/15 Employee Benefits - PEMA	-	(4 065 595)
Correction of 2014/15 Provisions - PEMA	-	(313 022)
Unappropriated Surplus Account:		
Corrections were made on the following account balances:		
Current Assets	-	(1 319 732)
Receivables from Exchange Transactions	-	(143 573)
Current Portion of Finance Lease Receivables	-	262
Current Portion of Long-term Receivables	-	35 893
Non-Current Assets		
Property, Plant and Equipment	-	(1 147)
Finance Lease Receivables	-	(262)
Long-term Receivables	-	107 680
Current Liabilities		
Provisions	-	(45 214)
Payables from Exchange Transactions	-	31 847
Taxes and Transfers Payable	-	2 936 226
Unspent Conditional Grants and Receipts	-	(2 936 226)
VAT Payable	-	(3 847)
Operating Lease Liabilities	-	1 540
Non-Current Liabilities		
Employee Benefit Liabilities	-	(1 302 910)
Increase / (Decrease) in Unappropriated Surplus Account - Correction of error	-	(5 638 156)
Closing balance Surplus Account	(28 618 970)	(21 357 709)

Nature

Corrections made on opening balance Surplus Account:

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly applied a maximum Council medical aid contribution to the Continuation (Retiree and Widow) Members in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Therefore on 30 June 2015 Employee Benefits were retrospectively increased by R4 065 595 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R313 022. On 30 June 2016 Employee Benefits were retrospectively increased by R1 302 909, Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R45 214 and Employee Related Cost were retrospectively increased by R1 348 123.

2) During the preparation of the 2016/17 Annual Financial Statements it was noted that medical aid premiums of Continuation (Retiree and Widow) Members were incorrectly reconciled during 2014/15 financial year. Therefore the difference of R58 976 was retrospectively corrected to increase Receivables from Exchange Transactions on 30 June 2015.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included estimated expenditures in the 2015/16 tender register which were different from the actual expenditures incurred. VAT was also incorrectly included in the straight-lining calculation. Therefore on 30 June 2015 Operating Lease Liabilities were retrospectively decreased by R1 217. On 30 June 2016 Operating Lease Liabilities were retrospectively decreased by R1 540 and General Expenses were retrospectively decreased by R1 540.

Receivables from Exchange Transactions

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Debtors, which had a three year payment agreement, as Receivables from Exchange Transactions and not as Long-term Debtors. Therefore Receivables from Exchange Transactions were retrospectively decreased by R143 573, Long-term Receivables were retrospectively increased by R107680 and Current portion of Long-term Receivables were retrospectively increased by R35 893 on 30 June 2016.

Current Portion of Finance Lease Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly account for the split between the long-term and short-term portion of Finance Lease Receivables. Therefore R262 was retrospectively corrected to decrease Finance Lease Receivables and increase Current Portion of Long-term Receivables were retrospectively corrected on 30 June 2015.

Current Portion of Long-term Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Debtors, which had a three year payment agreement, as Receivables from Exchange Transactions and not as Long-term Debtors. Therefore Receivables from Exchange Transactions were retrospectively decreased by R143 573, Long-term Receivables were retrospectively increased by R107680 and Current portion of Long-term Receivables were retrospectively increased by R35 893 on 30 June 2016.

Property, Plant and Equipment

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that one asset's Accumulated Depreciation exceeded the asset's Cost price due to the incorrect calculation of the derecognised depreciation of the asset during the 2015/16 financial year. Therefore R1 147 was retrospectively corrected to increase Depreciation and decrease Property, Plant and Equipment was retrospectively corrected on 30 June 2016.

Finance Lease Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly account for the split between the long-term and short-term portion of Finance Lease Receivables. Therefore R262 was retrospectively corrected to decrease Finance Lease Receivables and increase Current Portion of Long-term Receivables were retrospectively corrected on 30 June 2015.

Long-term Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Debtors, which had a three year payment agreement, as Receivables from Exchange Transactions and not as Long-term Debtors. Therefore Receivables from Exchange Transactions were retrospectively decreased by R143 573, Long-term Receivables were retrospectively increased by R107680 and Current portion of Long-term Receivables were retrospectively increased by R35 893 on 30 June 2016.

Provisions

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly applied a maximum Council medical aid contribution to the Continuation (Retiree and Widow) Members in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Therefore on 30 June 2015 Employee Benefits were retrospectively increased by R4 065 595 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R313 022. On 30 June 2016 Employee Benefits were retrospectively increased by R1 302 909, Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R45 214 and Employee Related Cost were retrospectively increased by R1 348 123.

Payables from Exchange Transactions

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed 2016/17 expenditure as Payables from Exchange Transactions on 30 June 2016. Therefore Payables from Exchange Transactions were retrospectively decreased by R31 847, Repairs and Maintenance were retrospectively decreased by R27 480, General Expenses were retrospectively decreased by R520 and VAT Payable were retrospectively increased by R3 847 on 30 June 2016.

Taxes and Transfers Payable

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Kgotsa Pula Nala grant as Taxes and Transfers Payable on 30 June 2016 and not as Unspent Conditional Grants. Therefore R2 936 226 were retrospectively corrected to decrease Taxes and Transfers Payables and Unspent Conditional Grants were retrospectively increased on 30 June 2016. Government Grants and Subsidies Received and Grants and Subsidies Paid were retrospectively increased by R617 274 on 30 June 2016.

Unspent Conditional Grants and Receipts

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Kgotsa Pula Nala grant as Taxes and Transfers Payable on 30 June 2016 and not as Unspent Conditional Grants. Therefore R2 936 226 were retrospectively corrected to decrease Taxes and Transfers Payables and Unspent Conditional Grants were retrospectively increased on 30 June 2016. Government Grants and Subsidies Received and Grants and Subsidies Paid were retrospectively increased by R617 274 on 30 June 2016.

ZF MGCAWU DISTRICT MUNICIPALITY
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VAT Payable

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed 2016/17 expenditure as Payables from Exchange Transactions on 30 June 2016. Therefore Payables from Exchange Transactions were retrospectively decreased by R31 847, Repairs and Maintenance were retrospectively decreased by R27 480, General Expenses were retrospectively decreased by R520 and VAT Payable were retrospectively increased by R3 847 on 30 June 2016.

Operating Lease Liability

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included estimated expenditures in the 2015/16 tender register which were different from the actual expenditures incurred. VAT was also incorrectly included in the straight-lining calculation. Therefore on 30 June 2015 Operating Lease Liabilities were retrospectively decreased by R1 217. On 30 June 2016 Operating Lease Liabilities were retrospectively decreased by R1 540 and General Expenses were retrospectively decreased by R1 540.

Employee Benefit Liabilities

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly applied a maximum Council medical aid contribution to the Continuation (Retiree and Widow) Members in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Therefore on 30 June 2015 Employee Benefits were retrospectively increased by R4 065 595 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R313 022. On 30 June 2016 Employee Benefits were retrospectively increased by R1 302 909, Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R45 214 and Employee Related Cost were retrospectively increased by R1 348 123.

32.1 Reclassification of Revenue

The prior year figures of Revenue Classes have not been restated to correctly classify the nature of Revenue of the Municipality.

The effect of the Correction of Error is as follows:

		2015/16 Expenditure	Adjustment	Restated Amount
Revenue from Non-exchange Transactions				
Government Grants and Subsidies Received	Note 19	(55 981 542)	(617 274)	(56 598 816)
		<u>(55 981 542)</u>	<u>(617 274)</u>	<u>(56 598 816)</u>

Nature

Government Grants and Subsidies Received

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Kgotsa Pula Nala grant as Taxes and Transfers Payable on 30 June 2016 and not as Unspent Conditional Grants. Therefore R2 936 226 were retrospectively corrected to decrease Taxes and Transfers Payables and Unspent Conditional Grants were retrospectively increased on 30 June 2016. Government Grants and Subsidies Received and Grants and Subsidies Paid were retrospectively increased by R617 274 on 30 June 2016.

32.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the Municipality.

The effect of the Correction of Error is as follows:

		2015/16 Expenditure	Adjustment	Restated Amount
Employee Related Costs	Note 23	41 773 938	(1 252 469)	43 026 407
Depreciation and Amortisation	Note 25	708 245	(1 147)	709 393
Repairs and Maintenance		709 122	709 122	-
Contracted Services	Note 28	28 252	(681 642)	709 894
Grants and Subsidies Paid	Note 29	5 223 987	(617 274)	5 841 262
General Expenses	Note 30	8 960 619	(93 595)	9 054 215
		<u>57 404 164</u>	<u>(1 937 006)</u>	<u>59 341 170</u>

Nature

Employee Related Costs

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly applied a maximum Council medical aid contribution to the Continuation (Retiree and Widow) Members in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Therefore on 30 June 2015 Employee Benefits were retrospectively increased by R4 065 595 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R313 022. On 30 June 2016 Employee Benefits were retrospectively increased by R1 302 909, Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R45 214 and Employee Related Cost were retrospectively increased by R1 348 123.

2) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified 2015/16 Audit Committee Allowances as Employee Related Costs on 30 June 2016. Therefore Employee Related Costs were retrospectively decreased by R95 655 and General Expenditure was retrospectively increased by R95 655 on 30 June 2016.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Depreciation and Amortisation

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that one asset's Accumulated Depreciation exceeded the asset's Cost price due to the incorrect calculation of the derecognised depreciation of the asset during the 2015/16 financial year. Therefore R1 147 was retrospectively corrected to increase Depreciation and decrease Property, Plant and Equipment was retrospectively corrected on 30 June 2016.

Repairs and Maintenance

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed 2016/17 expenditure as Payables from Exchange Transactions on 30 June 2016. Therefore Payables from Exchange Transactions were retrospectively decreased by R31 847, Repairs and Maintenance were retrospectively decreased by R27 480, General Expenses were retrospectively decreased by R520 and VAT Payable were retrospectively increased by R3 847 on 30 June 2016.

2) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed Repairs and Maintenance expenditures as a separate line item in the Statement of Financial Performance on 30 June 2016. According to Grap 1 it must be disclosed as Contracted Services due to the nature and function of the expenditures. Therefore Repairs and Maintenance were retrospectively decreased by R681 642 and Contracted Services were retrospectively increased by R681 642 on 30 June 2016.

Contracted Services

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed Repairs and Maintenance expenditures as a separate line item in the Statement of Financial Performance on 30 June 2016. According to Grap 1 it must be disclosed as Contracted Services due to the nature and function of the expenditures. Therefore Repairs and Maintenance were retrospectively decreased by R681 642 and Contracted Services were retrospectively increased by R681 642 on 30 June 2016.

Grants and Subsidies Paid

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Kgotsotso Pula Nala grant as Taxes and Transfers Payable on 30 June 2016 and not as Unspent Conditional Grants. Therefore R2 936 226 were retrospectively corrected to decrease Taxes and Transfers Payables and Unspent Conditional Grants were retrospectively increased on 30 June 2016. Government Grants and Subsidies Received and Grants and Subsidies Paid were retrospectively increased by R617 274 on 30 June 2016.

General Expenses

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included estimated expenditures in the 2015/16 tender register which were different from the actual expenditures incurred. VAT was also incorrectly included in the straight-lining calculation. Therefore on 30 June 2015 Operating Lease Liabilities were retrospectively decreased by R1 217. On 30 June 2016 Operating Lease Liabilities were retrospectively decreased by R1 540 and General Expenses were retrospectively decreased by R1 540.

2) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed 2016/17 expenditure as Payables from Exchange Transactions on 30 June 2016. Therefore Payables from Exchange Transactions were retrospectively decreased by R31 847, Repairs and Maintenance were retrospectively decreased by R27 480, General Expenses were retrospectively decreased by R520 and VAT Payable were retrospectively increased by R3 847 on 30 June 2016.

3) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified 2015/16 rental expenditure as Consumables under General Expenses on 30 June 2016. Therefore Consumables were retrospectively decreased by R11 133 and Rental of Office Space expenditure were retrospectively increased by R11 133 on 30 June 2016.

4) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified 2015/16 Entertainment Costs as Refreshments under General Expenses on 30 June 2016. Therefore Entertainment Costs were retrospectively increased by R17 142 and Refreshment expenditure were retrospectively decreased by R17 142 on 30 June 2016.

5) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified 2015/16 Audit Committee Allowances as Employee Related Costs on 30 June 2016. Therefore Employee Related Costs were retrospectively decreased by R95 655 and General Expenditure was retrospectively increased by R95 655 on 30 June 2016.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

32.3 Reclassification of Statement of Financial Position

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2015/16 Financial Position	Adjustment	Restated Amount
Current Assets			
Receivables from Exchange Transactions	1 135 718	(84 597)	1 051 120
Current Portion of Finance Lease Receivables	3 338	262	3 600
Current Portion of Long-term Receivables	128 089	35 893	163 982
Non-Current Assets			
Property, Plant and Equipment	20 646 924	(1 147)	20 645 776
Finance Lease Receivables	51 428	(262)	51 166
Long-term Receivables	140 984	107 680	248 664
Current Liabilities			
Provisions	(2 134 385)	(358 236)	(2 492 621)
Payables from Exchange Transactions	(5 541 677)	31 847	(5 509 830)
Taxes and Transfers Payable	(2 959 680)	2 936 226	(23 454)
Unspent Conditional Grants and Receipts	(2 606 670)	(2 936 226)	(5 542 896)
VAT Payable	(98 353)	(3 847)	(102 200)
Operating Lease Liabilities	(54 156)	2 756	(51 400)
Non-Current Liabilities			
Employee Benefit Liabilities	(28 117 762)	(5 368 505)	(33 486 267)
	(19 406 204)	(5 638 156)	(25 044 360)

Nature

Receivables from Exchange Transactions

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that medical aid premiums of Continuation (Retiree and Widow) Members were incorrectly reconciled during 2014/15 financial year. Therefore the difference of R58 976 was retrospectively corrected to increase Receivables from Exchange Transactions on 30 June 2015.

2) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Debtors, which had a three year payment agreement, as Receivables from Exchange Transactions and not as Long-term Debtors. Therefore Receivables from Exchange Transactions were retrospectively decreased by R143 573, Long-term Receivables were retrospectively increased by R107680 and Current portion of Long-term Receivables were retrospectively increased by R35 893 on 30 June 2016.

Current Portion of Finance Lease Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly account for the split between the long-term and short-term portion of Finance Lease Receivables. Therefore R262 was retrospectively corrected to decrease Finance Lease Receivables and increase Current Portion of Long-term Receivables were retrospectively corrected on 30 June 2015.

Current Portion of Long-term Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Debtors, which had a three year payment agreement, as Receivables from Exchange Transactions and not as Long-term Debtors. Therefore Receivables from Exchange Transactions were retrospectively decreased by R143 573, Long-term Receivables were retrospectively increased by R107680 and Current portion of Long-term Receivables were retrospectively increased by R35 893 on 30 June 2016.

Property, Plant and Equipment

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that one asset's Accumulated Depreciation exceeded the asset's Cost price due to the incorrect calculation of the derecognised depreciation of the asset during the 2015/16 financial year. Therefore R1 147 was retrospectively corrected to increase Depreciation and decrease Property, Plant and Equipment was retrospectively corrected on 30 June 2016.

Finance Lease Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly account for the split between the long-term and short-term portion of Finance Lease Receivables. Therefore R262 was retrospectively corrected to decrease Finance Lease Receivables and increase Current Portion of Long-term Receivables were retrospectively corrected on 30 June 2015.

Long-term Receivables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified Debtors, which had a three year payment agreement, as Receivables from Exchange Transactions and not as Long-term Debtors. Therefore Receivables from Exchange Transactions were retrospectively decreased by R143 573, Long-term Receivables were retrospectively increased by R107680 and Current portion of Long-term Receivables were retrospectively increased by R35 893 on 30 June 2016.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Provisions

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly applied a maximum Council medical aid contribution to the Continuation (Retiree and Widow) Members in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Therefore on 30 June 2015 Employee Benefits were retrospectively increased by R4 065 595 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R313 022. On 30 June 2016 Employee Benefits were retrospectively increased by R1 302 909, Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R45 214 and Employee Related Cost were retrospectively increased by R1 348 123.

Payables from Exchange Transactions

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed 2016/17 expenditure as Payables from Exchange Transactions on 30 June 2016. Therefore Payables from Exchange Transactions were retrospectively decreased by R31 847, Repairs and Maintenance were retrospectively decreased by R27 480, General Expenses were retrospectively decreased by R520 and VAT Payable were retrospectively increased by R3 847 on 30 June 2016.

Taxes and Transfers Payable

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Kgotsa Pula Nala grant as Taxes and Transfers Payable on 30 June 2016 and not as Unspent Conditional Grants. Therefore R2 936 226 were retrospectively corrected to decrease Taxes and Transfers Payables and Unspent Conditional Grants were retrospectively increased on 30 June 2016. Government Grants and Subsidies Received and Grants and Subsidies Paid were retrospectively increased by R617 274 on 30 June 2016.

Unspent Conditional Grants and Receipts

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Kgotsa Pula Nala grant as Taxes and Transfers Payable on 30 June 2016 and not as Unspent Conditional Grants. Therefore R2 936 226 were retrospectively corrected to decrease Taxes and Transfers Payables and Unspent Conditional Grants were retrospectively increased on 30 June 2016. Government Grants and Subsidies Received and Grants and Subsidies Paid were retrospectively increased by R617 274 on 30 June 2016.

VAT Payables

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed 2016/17 expenditure as Payables from Exchange Transactions on 30 June 2016. Therefore Payables from Exchange Transactions were retrospectively decreased by R31 847, Repairs and Maintenance were retrospectively decreased by R27 480, General Expenses were retrospectively decreased by R520 and VAT Payable were retrospectively increased by R3 847 on 30 June 2016.

2) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included estimated expenditures in the 2015/16 tender register which were different from the actual expenditures incurred. Therefore on 30 June 2015 Operating Lease Liabilities were retrospectively increased by R1050 and VAT Payables were retrospectively decreased by R147. On 30 June 2016 Operating Lease Liabilities were retrospectively increased by R2 520, VAT Payables were retrospectively decreased by R352.83 and General Expenses were retrospectively increased by R2 520.

Operating Lease Liabilities

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included estimated expenditures in the 2015/16 tender register which were different from the actual expenditures incurred. Therefore on 30 June 2015 Operating Lease Liabilities were retrospectively increased by R1050 and VAT Payables were retrospectively decreased by R147. On 30 June 2016 Operating Lease Liabilities were retrospectively increased by R2 520, VAT Payables were retrospectively decreased by R352.83 and General Expenses were retrospectively increased by R2 520.

Employee Benefit Liabilities

1) During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly applied a maximum Council medical aid contribution to the Continuation (Retiree and Widow) Members in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Therefore on 30 June 2015 Employee Benefits were retrospectively increased by R4 065 595 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R313 022. On 30 June 2016 Employee Benefits were retrospectively increased by R1 302 909, Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R45 214 and Employee Related Cost were retrospectively increased by R1 348 123.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
33 CHANGE IN ACCOUNTING ESTIMATES		
33.1 Depreciation Expenditure:		
The estimated useful lives and depreciation method were reviewed at 30 June 2017 and no changes were made for the 2016/17 financial year.		
Adjustments were made to the remaining useful lives and residual values in the current year and affected the amount of depreciation for the 2016/17 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	-	(1 577)
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of Intangible Assets	-	(22 627)
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(45 429)	(99 025)
Increase / (Decrease) in Depreciation of PPE	(45 429)	(123 229)
Depreciation as previously stated	634 200	832 621
Adjustment due to Change in Accounting Estimate	(45 429)	(123 229)
Depreciation as per Note 25	588 771	709 393
34 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(7 261 261)	(3 911 505)
Adjustment for:		
Depreciation and Amortisation	588 771	709 393
Loss / (Gains) on Disposal of Property, Plant and Equipment	23 066	(816 054)
Contribution to Employee Benefit Liabilities	3 220 440	5 223 281
Expenditure incurred from Employee Benefit Liabilities	(2 036 974)	(1 647 152)
Contribution to Provisions - Current	439 305	541 241
Expenditure incurred from Provisions - Current	(446 752)	(478 577)
Contribution to Impairment Provision - Receivables from Exchange Transactions	291 259	189 723
Contribution to Impairment Provision - Finance Lease Receivables	35 514	-
Contribution to Impairment Provision - Long-term Receivables	33 416	148 381
Impairment Losses Recognised - Receivables from Exchange Transactions	17 555	-
Impairment Losses Recognised - Long-term Receivables	-	1 263
Operating surplus before working capital changes	(5 095 661)	(40 007)
Decrease/(Increase) in Receivables from Exchange Transactions	598 617	(824 953)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(114 502)	-
Decrease/(Increase) in VAT Receivable	(274 761)	1 043 690
Decrease/(Increase) in Current Portion of Finance Lease Receivables	-	882
Decrease/(Increase) in Current Portion of Long-term Receivables	(6 126)	(100 409)
Increase/(Decrease) in Payables from Exchange Transactions	3 553 809	(2 369 951)
Increase/(Decrease) in Taxes and Transfers Payable	128 237	23 454
Increase/(Decrease) in Conditional Grants and Receipts	(438 768)	2 718 684
Increase/(Decrease) in VAT Payable	(102 200)	102 200
Increase/(Decrease) in Operating Lease Liabilities	(20 547)	29 852
Cash generated by / (utilised in) Operations	(1 771 901)	583 443

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	1 316 133	-
Unauthorised Expenditure current year (refer to detail below)	3 873 685	1 316 133
Expenditure investigated and approved by Council	-	-
Unauthorised Expenditure awaiting authorisation	5 189 818	1 316 133

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Expenditure votes exceeded:-</i>	
- Executive and Council - R164 320 (2016: R0)	Awaiting Council Approval
- Budget and Treasury Office - R0 (2016: R0)	Awaiting Council Approval
- Corporate Services - R3 668 005 (2016: R1 145 545)	Awaiting Council Approval
- Technical Services - R0 (2016: R170 589)	Awaiting Council Approval
<i>Budgeted Capital votes exceeded:-</i>	
- Executive and Council - R0 (2016: R0)	Awaiting Council Approval
- Budget and Treasury Office - R0 (2016: R0)	Awaiting Council Approval
- Corporate Services - R0 (2016: R0)	Awaiting Council Approval
- Technical Services - R41 359 (2016: R0)	Awaiting Council Approval

Unauthorised Expenditure for 2015/16 and 2016/17:

The main reasons for the unauthorised expenditure:

- 1) ZFM under budgeted for Employee Benefits during the 2016/17 financial year due to the Correction of Error below. This resulted in unauthorised expenditure of R2 805 181 (2016: R1 316 133).
- 2) ZFM under budgeted for Employee Related Cost during the 2016/17 financial year. This resulted in unauthorised expenditure of R1 027 144.
- 3) The Environmental Health function of Dawid Kruiper Local Municipality was transferred to ZFM on 1 July 2017. All assets were also transferred and was recorded as capital additions during the 2016/17 financial year which was not budgeted for by ZFM. This resulted in unauthorised expenditure of R41 359 during the 2016/17 financial year.

During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly applied a maximum Council medical aid contribution to the Continuation (Retiree and Widow) Members in the Provision for Post-retirement Health Care Benefits Liability for the prior years. Therefore on 30 June 2015 Employee Benefits were retrospectively increased by R4 065 595 and Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R313 022. On 30 June 2016 Employee Benefits were retrospectively increased by R1 302 909, Provisions (Short-term portion of Employee Benefits) were retrospectively increased by R45 214 and Employee Related Cost were retrospectively increased by R1 348 123.

	2017 R	2016 R
35.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	191 530	56 043
Fruitless and Wasteful Expenditure current year	34 651	6 560
Fruitless and Wasteful Expenditure identified in current year relating to prior years	-	241 360
Expenditure investigated and approved by Council	-	-
To be recovered – Receivables from Exchange Transactions (refer Note 2)	(1 555)	-
To be recovered – Long-term Receivables (refer Note 10)	(8 705)	(112 433)
Recouped from Salaries Payable	(553)	-
Fruitless and Wasteful Expenditure awaiting condonement	215 367	191 530

Fruitless and Wasteful Expenditure summary for 2016/17 financial year.:

Incident	Disciplinary Steps	Amount R
Excess salary paid to A. Pokwana for maternity leave.	Awaiting Council Approval	10 623
Acting allowance incorrectly paid to T. Job and A. Phete.	To be recovered - Receivables from Exchange Transactions (refer Note 2)	1 555
Acting allowance incorrectly paid to T. Job and A. Phete.	To be recovered - Long-term Receivables (refer Note 2)	8 705
Acting allowance incorrectly paid to D. van Rooi and J Moko.	Recouped from Salaries Payable	553
Double payment of Contract Worker (N. Julius) on 11 March 2016.	Awaiting Council Approval	2 500
Double payment of Resigned Employee (G. Kaffer) on 24 January 2016.	Awaiting Council Approval	10 714
Total:		34 651

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Fruitless and Wasteful Expenditure summary for 2015/16 financial year.:

Incident	Disciplinary Steps	Amount R
Payment made to De Klerk van Gend Attorneys during 2015/16 financial year as a final payment to close the court case relating to late PAYE Contributions.	Awaiting Council Approval	3 916
Interest charged on Telkom accounts received until 3 February 2016. Debit orders were implemented to prevent reoccurrences.	Awaiting Council Approval	1 501
An advertisement was placed twice in the Gemsbok Newsletter relating to SPLUM legislative requirements.	Awaiting Council Approval	1 003
A payment was made to SARS for arrear Skills Development Levies relating to the 2016/02 tax period. Interest and penalties to the amount of R140 were charged and paid.	Awaiting Council Approval	140
Relates to prior years:		
A payment was made to SARS for arrear Skills Development Levies relating to the 2015/02 tax period. Interest and penalties to the amount of R211 and R778 were charged and paid.	Awaiting Council Approval	989
ZF Mgcawu District Municipality did not capture Reimbursed Travel Allowances on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. Penalties (R37 716 - R857) were charged by SARS which were paid by ZFM during 2015/16 financial year. An amount of R2 009 was not billed (including the refund amount) by SARS with the 2015/16 payment and was deducted from the initial penalty.	Awaiting Council Approval	34 850
ZF Mgcawu District Municipality did not capture Reimbursed Travel Allowances on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. Interest was charged by SARS which were paid by ZFM during 2015/16 financial year but will be recovered from employees. Refer to Long-Term Debtors Note 8	To be recovered – Long-term Receivables (refer Note 8)	112 433
Compensation Commissioner: According to the 2015/16 settlement agreement penalties and interest were charged on the outstanding amount of the Compensation Fund.	Awaiting Council Approval	93 088
Total:		247 920

35.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	4 328 996	4 328 996
Irregular Expenditure current year	-	-
Expenditure investigated, approved and condoned by Council	-	-
Irregular Expenditure awaiting condonement from National Treasury	4 328 996	4 328 996

Condonement of Irregular expenses:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. ZFM District Municipality has investigated all irregular expenditures and no official was liable for these expenses after the investigation. Therefore a debt cannot be created. Each instance and reason for the items that lead to irregular expenditure were, after investigation, presented to Council. Council agreed with ZFM that no person or entity should be held liable for the irregular expenditure that was incurred. The municipality is now busy with the condonement process with National Treasury to condone these irregular expenses.

There were no Irregular Expenditure for the 2015/16 and 2016/17 financial year.

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	500 000	500 000
Amount Paid - current year	(500 000)	(500 000)
Balance Unpaid (included in Creditors)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
36.2 Audit Fees		
Opening Balance	-	31 640
Current year Audit Fee (VAT excluded)	2 553 658	2 112 926
Amount Paid - current year (VAT excluded)	(2 562 301)	(2 144 566)
Balance over paid (included in Debtors)	(8 643)	-

36.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 4. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE, Skills Development Levy and UIF

Opening Balance	667 418	648 733
Current year Payroll Deductions	7 629 876	6 858 497
Amount Paid - current year	(6 287 805)	(6 191 080)
Amount Paid - previous years	(667 418)	(648 733)
Balance Unpaid (included in Creditors)	1 342 071	667 418

36.5 Pension and Medical Aid Deductions

Opening Balance	728 351	636 362
Current year Payroll Deductions and Council Contributions	9 581 541	8 675 023
Amount Paid - current year	(8 772 034)	(7 946 672)
Amount Paid - previous years	(728 351)	(636 362)
Balance Unpaid (included in Creditors)	809 507	728 351

36.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

36.7 Non-Compliance of the Municipal Finance Management Act

No known matters existed at reporting date.

36.8 Non-Compliance of the Municipal Systems Act

There were no Non-Compliance during the 2015/16 and 2016/17 financial year.

36.9 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
CORPORATE SERVICES	Dr De Klerk	1	Emergency	318
	Various	11	Impractical for procurement processes	67 380
	Various	24	Single provider only	706 771
36 Occasions during the year amounts to R774 469				
FINANCIAL SERVICES	Various	7	Impractical for procurement processes	53 079
	Various	5	Single provider only	47 561
12 Occasions during the year amounts to R100 639				
MAYOR'S OFFICE	Various	3	Single provider only	20 279
	Various	11	Impractical for procurement processes	216 478
14 Occasions during the year amounts to R236 757				
TECHNICAL SERVICES	NC Tourism	1	Single provider only	20 000
	Monate	1	Emergency	70 000
2 Occasions during the year amounts to R90 000				
MUNICIPAL MANAGER	ETHICS SIM	1	Impractical for procurement processes	5 100
	Various	5	Single provider only	28 906
6 Occasions during the year amounts to R34 006				
Total:				1 235 871

36.10 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
37 COMMITMENTS FOR EXPENDITURE		
37.1 Capital Commitments		
The municipality had no capital commitments at year-end.		
37.2 Other Commitments		
- Approved and Contracted for:-	3 732 648	6 707 173
<i>General Voice Equipment</i>	1 136 497	1 682 018
<i>Office Space Rentals</i>	404 605	1 052 722
<i>Insurance Contract</i>	203 985	498 818
<i>Rural Roads Asset Manage Systems</i>	1 085 489	3 363 267
<i>Cleaning Project</i>	266 130	-
<i>mSCOA Implementation</i>	335 498	-
<i>Outstanding orders</i>	300 445	110 348
- Approved but Not Yet Contracted for:-	-	-
<i>Other</i>	-	-
Total Capital Commitments	3 732 648	6 707 173
This expenditure will be financed from:		
Government Grants	1 687 116	3 363 267
Own Resources	2 045 532	3 343 906
	3 732 648	6 707 173

General Voice Equipment:

The Municipality has an agreement with URB Klank & Beeld to rent and maintenance a telephone system from 1 August 2014 to 31 July 2019. There are no annual escalations and the total tender value of R2 727 600 (incl. VAT) was awarded in February 2014 .

On 30 June 2017 the outstanding commitment to URB Klank and Beeld was R1 136 497 (incl. VAT). URB Klank & Beeld was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Office Space Rentals:

The Municipality has a lease agreement with Ancorley Gebou (Edms) Bpk to rent office space from 1 February 2015 to 31 January 2018. There are annual escalations which are included in the total tender value of R1 900 638 (incl. VAT). The tender was awarded in July 2014 .

On 30 June 2017 the outstanding commitment to Ancorley Gebou (Edms) Bpk was R404 605 (incl. VAT). Ancorley Gebou (Edms) Bpk was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

During the preparation of the 2016/17 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included estimated expenditures in the 2015/16 tender register which were different from the actual expenditures incurred. Therefore on 30 June 2015 Operating Lease Liabilities were retrospectively increased by R1050 and VAT Payables were retrospectively decreased by R147 . On 30 June 2016 Operating Lease Liabilities were retrospectively increased by R2 520, VAT Payables were retrospectively decreased by R352.83 and General Expenses were retrospectively increased by R2 520.

Insurance Contract:

The Municipality has a contract with AON to insure all municipal assets from 1 July 2015 to 30 June 2018. There are annual escalations which are included in the total tender value of R734 219 (incl. VAT). The tender was awarded in June 2015 .

On 30 June 2017 the outstanding commitment to AON was R203 985 (incl. VAT). AON was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Rural Roads Asset Manage Systems:

The Municipality has awarded a tender to Royal Haksoning to render implementation and management of the rural roads assets for the 2015/16 and 2016/17 financial years as per Government Gazette. There are no annual escalations and the total tender value of R4 067 976 (incl. VAT) was awarded in April 2016 .

On 30 June 2017 the outstanding commitment to Royal Haksoning was R1 085 489 (incl. VAT). Royal Haksoning was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The Municipality has not yet advertised the tender for the 2016/17, 2017/18 and 2018/19 financial years. The amounts that are available for these years according to the Government Gazette is R5 785 000 and will be disclosed as Commitments once the tenders are awarded.

Cleaning Project

The Municipality has an agreement with Ivina Holdings (Pty) Ltd to clean solid waste at Kheis Local Municipality. There are no annual escalations and the total tender value of R695 726 (incl. VAT) was awarded in February 2017.

On 30 June 2017 the outstanding commitment to Ivina Holdings (Pty) Ltd was R266 130 (incl. VAT). Ivina Holdings (Pty) Ltd was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

mSCOA Implementation

The Municipality has an agreement with Bytes Universal Systems to implement a mSCOA system during 2016/17 and 2017/18 financial year. There are no annual escalations and the total tender value of R587 207 (incl. VAT) was awarded in February 2017 and the total tender value of R450 000 (incl. VAT) was awarded in May 2017.

On 30 June 2017 the outstanding commitment to Bytes Universal Systems was R335 498 (incl. VAT). Bytes Universal Systems was appointed through the NT Transversal Tender RT-25 process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Outstanding Orders:

The Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the municipality has a commitment with suppliers to render these services or goods after year-end which amounts to R300 445 (30 June 2016: R110 348).

		2017 R	2016 R
38 FINANCIAL INSTRUMENTS			
38.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Non-Current Assets			
Finance Lease Receivables	Amortised cost	15 282	51 166
Long-term Receivables			
Employee PAYE Debtors	Amortised cost	44 095	140 984
Performance Bonus Debtors	Amortised cost	34 303	107 680
Acting Allowance Debtors	Amortised cost	2 660	-
Receivables from Exchange Transactions			
Other Receivables	Amortised cost	143 689	1 051 120
Receivables from Non-exchange Transactions			
Government Subsidy Claims	Amortised cost	114 502	-
Cash and Cash Equivalents			
Call Deposits	Amortised cost	513	2 674 481
Bank Balances	Amortised cost	287 870	1 027 353
Cash Floats and Advances	Financial Assets at Fair Value	485	13 865
Current Portion of Long-term Receivables			
Finance Lease Receivables	Amortised cost	3 600	3 600
Employee PAYE Debtors	Amortised cost	93 830	128 089
Performance Bonus Debtors	Amortised cost	73 377	35 893
Acting Allowance Debtors	Amortised cost	2 902	-
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Finance Lease Receivables	Housing Selling Scheme Loans	15 282	51 166
Long-term Receivables	Employee PAYE Debtors	44 095	140 984
Long-term Receivables	Performance Bonus Debtors	34 303	107 680
Long-term Receivables	Acting Allowance Debtors	2 660	-
Receivables from Exchange Transactions	Other Debtors	143 689	1 051 120
Cash and Cash Equivalents	Call Deposits	513	2 674 481
Cash and Cash Equivalents	Bank Balances	287 870	1 027 353
Receivables from Non-exchange Transactions	Government Subsidy Claims	114 502	
Current Portion of Finance Lease Receivables	Housing Selling Scheme Loans	3 600	3 600
Current Portion of Long-term Receivables	Employee PAYE Debtors	93 830	128 089
Current Portion of Long-term Receivables	Performance Bonus Debtors	73 377	35 893
Current Portion of Long-term Receivables	Acting Allowance Debtors	2 902	-
		816 623	5 220 366
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	485	13 865
		485	13 865
Total Financial Assets		817 107	5 234 232

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>		<u>Classification</u>
Long-term Liabilities			
Annuity Loans	Amortised cost	-	-
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	4 894 834	3 334 592
Staff Leave Accrued	Amortised cost	2 226 744	1 600 629
Retentions	Amortised cost	297 476	297 476
Suspense Accounts - Support	Amortised cost	1 644 586	277 133
Taxes and Transfers Payable			
Suspense Account - Health & Aids Project	Amortised cost	151 691	23 454
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	-	102 157

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Annuity Loans	-	-
Payables from Exchange Transactions	Trade Creditors	4 894 834	3 334 592
Payables from Exchange Transactions	Suspense Accounts - Support	1 644 586	277 133
Payables from Exchange Transactions	Retentions	297 476	297 476
Payables from Exchange Transactions	Staff Leave Accrued	2 226 744	1 600 629
Taxes and Transfers Payable	Other Creditors	151 691	23 454
Current Portion of Long-term Liabilities	Annuity Loans	-	102 157
Total Financial Liabilities		9 215 330	5 635 441

38.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2017, as a result of the short-term maturity of these assets and liabilities.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2017		30 June 2016	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	816 623	816 623	5 220 366	5 220 366
Finance Lease Receivables	15 282	15 282	51 166	51 166
Long-term Receivables	81 058	81 058	248 664	248 664
Call Deposits	513	513	2 674 481	2 674 481
Bank Balances and Cash	287 870	287 870	1 027 353	1 027 353
Trade Receivables from Exchange Transactions	143 689	143 689	1 051 120	1 051 120
Trade Receivables from Non-exchange Transactions	114 502	114 502	0	0
Current Portion of Long-term Receivables	173 708	173 708	167 582	167 582
Measured at Fair Value	485	485	13 865	13 865
Cash Floats and Advances	485	485	13 865	13 865
Total Financial Assets	817 107	817 107	5 234 232	5 234 232
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	9 215 330	9 215 330	5 635 441	5 635 441
Annuity Loans	0	0	0	0
Payables from Exchange Transactions	9 063 639	9 063 639	5 509 830	5 509 830
Taxes and Transfers Payable	151 691	151 691	23 454	23 454
Current Portion of Long-term Liabilities	(0)	(0)	102 157	102 157
Total Financial Instruments	(8 398 223)	(8 398 223)	(401 209)	(401 209)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash Floats and Advances	485	-	-	485
Total Financial Assets	<u>485</u>	<u>-</u>	<u>-</u>	<u>485</u>
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>485</u>	<u>-</u>	<u>-</u>	<u>485</u>

30 June 2016

FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash Floats and Advances	13 865	-	-	13 865
Total Financial Assets	<u>13 865</u>	<u>-</u>	<u>-</u>	<u>13 865</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>13 865</u>	<u>-</u>	<u>-</u>	<u>13 865</u>

38.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, Accumulated Surplus and the Statement of Changes in Net Assets.

Gearing Ratio

The municipality considers the cost of capital and the risks associated with each class of capital. The Municipality do not borrow money for any operational activities.

	2017 R	2016 R
The gearing ratio at the year-end was as follows:		
Debt	-	102 157
Cash and Cash Equivalents	(288 868)	(3 715 700)
Net Debt / (Cash Available)	<u>(288 868)</u>	<u>(3 613 543)</u>
Equity	<u>(28 618 970)</u>	<u>(21 357 709)</u>
Net debt to equity ratio	<u>(1.01%)</u>	<u>(16.92%)</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 16.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

38.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

38.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

38.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

38.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

38.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, Finance Lease Receivable and loan payables. The Entity is not exposed to interest rate risk on these financial instruments, as the rates applicable are fixed interest rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date.

		2017 R	2016 R
Interest received			
Interest Earned - Outstanding Debtors (Excluding VAT Receivable interest)		2 630	4 034
Interest Earned - External Investments		725 580	531 966
		<u>728 210</u>	<u>536 000</u>
Average Interest rate			
		<u>2.66%</u>	<u>4.93%</u>
Effect of a change in interest rate on interest received:			
Effect of change in interest rate	%	1%	1%
Effect of change in interest rate	Rand value	274 144	108 821
Effect of change in interest rate			
	%	2%	2%
Effect of change in interest rate	Rand value	548 287	217 642
<u>Financial Liabilities</u>			
<u>Classification</u>			
Interest paid			
Long-term Liabilities		5 132	34 090
Interest rate %			
		<u>10%</u>	
Effect of a change in interest rate on interest paid:			
Effect of change in interest rate	%	1%	1%
Effect of change in interest rate	Rand value	#DIV/0!	3 409
Effect of change in interest rate			
	%	2%	2%
Effect of change in interest rate	Rand value	#DIV/0!	6 818

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

38.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a small number of trade debtors, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2017	2016
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Finance Lease Receivables	15 282	51 166
Receivables from Exchange Transactions	747 977	1 364 149
Bank, Cash and Cash Equivalents	288 868	3 715 700
Maximum Credit and Interest Risk Exposure	1 166 628	5 131 015

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

38 FINANCIAL INSTRUMENTS (Continued)

38.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 42 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Financial Liabilities

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2017								
Non-interest Bearing		0.00%	9 215 330	9 215 330	-	-	-	-
- Payables from Exchange Transactions	12		9 063 639	9 063 639	-	-	-	-
- Taxes and Transfers Payable	13		151 691	151 691	-	-	-	-
- Operating Lease Liabilities	15		30 853	30 853	-	-	-	-
Fixed Interest Rate Instruments		10.00%	-	-	-	-	-	-
- Long-term Liabilities	16	10.00%	-	-	-	-	-	-
		0.00%	9 215 330	9 215 330	(0)	-	-	-
30 June 2016								
Non-interest Bearing		0.00%	5 533 284	5 533 284	-	-	-	-
- Payables from Exchange Transactions	12		5 509 830	5 509 830	-	-	-	-
- Taxes and Transfers Payable	13		23 454	23 454	-	-	-	-
- Operating Lease Liabilities	15		51 400	51 400	-	-	-	-
Fixed Interest Rate Instruments		10.00%	102 157	-	102 157	-	-	-
- Long-term Liabilities		10.00%	102 157	-	102 157	-	-	-
		10.00%	5 635 441	5 533 284	102 157	-	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Financial Assets

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2017								
Non-interest Bearing		0.00%	509 357	326 495	98 902	74 440	9 520	-
- Long-term Receivables			251 167	68 304	98 902	74 440	9 520	-
- Trade Receivables from Exchange Transactions	3		143 689	143 689	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4		114 502	114 502	-	-	-	-
Variable Interest Rate Instruments		2.50%	288 868	288 868	-	-	-	-
- Call Deposits	6	6.50%	513	513	-	-	-	-
- Petty Cash	6	0.12%	485	485	-	-	-	-
- Bank Account	6	2.50%	287 870	287 870	-	-	-	-
Fixed Interest Rate Instruments		5.00%	18 882	18 882	-	-	-	-
- Finance Lease Receivables	9		18 882	18 882	-	-	-	-
		2.66%	817 107	634 245	98 902	74 440	9 520	-
30 June 2016								
Non-interest Bearing		0.00%	1 463 766	1 161 260	100 051	202 456	-	-
- Long-term Receivables			412 646	110 139	100 051	202 456	-	-
- Trade Receivables from Exchange Transactions	3		1 051 120	1 051 120	-	-	-	-
Variable Interest Rate Instruments		4.92%	3 715 700	3 715 700	-	-	-	-
- Call Deposits		5.88%	2 674 481	2 674 481	-	-	-	-
- Petty Cash	6	0.12%	13 865	13 865	-	-	-	-
- Bank Account		2.50%	1 027 353	1 027 353	-	-	-	-
Fixed Interest Rate Instruments	9	5.00%	54 766	54 766	-	-	-	-
- Finance Lease Receivables			54 766	54 766	-	-	-	-
		4.93%	5 234 232	4 931 725	100 051	202 456	-	-

38.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

39 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All Councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 1 789 252 (2016: R1 545 710) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183,5 (30 June 2009: R1 123,7) million, with a funding level of 99,5% (30 June 2009: 102,0%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6,4 (2009: surplus R22,5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10,3 million which will result in a fully funded position.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

No further information could be obtained.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2010.

The net assets available for benefits were R4 191 (2008: R3 617) million.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of R9,6 (1 July 2008: R6,3) million, with a funding level of 99,77% (1 July 2008: 99,83%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

40 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

40.1 Interest of Related Parties

Councillors and/or Management of the Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
A Vosloo	Executive Mayor	Director at Ditsa Da Ra Properties Director Khethabele Enterprise Director at Perspektiv HR Solutions
M Moalosi	Speaker	Director at Moulouis Catering
E Ntoba	Municipal Manager	Director at Abaphumeleli Trading 873 Director at Ntoba Trading
GH Mothibi	Councillor	Director at Tsansabane Social and Labour Development Forum Director at Northern Cape Mining Logistics and Services Director at Charofor
P Isaacs	Councillor	Director at City Park Trading 90 Director at Vandalix Director at Micromatica 563
J Lodewyk	Councillor	Director at Khoi-san Agricultural
M Bosman	Councillor	Director at Kalksloot Rural Development
	Councillor	Director at Kalksloot Bakery
M Mabilo	Councillor	Director at TCF Funeral Services Director at Mabamosa
B Bock	Councillor	Director at BM Bock Construction and community development
E Van der Wsthuizen	Middle Manager	Director at BMD Trading
FP Ruppig	Middel Manager	Director at BC2S Construction Consulting and Trading Services
JBA Van wyk	Middle Manager	Director at JVW Group
H Theron	Middle Manager	Director at Sedzaphanda building construction
MMG Mnganga	Middle Manager	Director at Rehoboth MG Civil Services
H Mclauli	Middle Manager	Director at Siyanda theatre laboratory
JA Kitching	Middle Manager	Director at Ablaze Trading 258
G Cloete	Middle Manager	Director at BC2S Construction Consulting and Trading Services
AK Tieties	Middle Manager	Director at A and T Development
B Van Kradenburg	Middle Manager	Director at BMD Trading
JGM Van Wyk	Middle Manager	Director at JVW Group
A Van Zyl	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
K Kitching	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
L Lankalebalela	Audit Committee	Director at FITA Consultancy Director at Access Information Management Services Director at HALALA Driving school Director at Final Score Director at King Golfers Director at Xabiso Consulting
N Erasmus	Audit Committee	Director at Tsama Wild Director at All 4 One Enterprises Director at ITR Holdings Director at C N Erasmus Boerdery Director at Quickstep 336 Director at Uppington Rekenmeestersentrum Director at Uppington Convenience Centre Director at Du Toit van den Heever Administrasie Director at Du Toit van den Heever

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The following Councillors and/or Management of the Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
A Vosloo	Executive Mayor	Director at White Mountain Mining Director at Kiesie Production Director at Willoo Development
G Present	Middle Manager	Director at Sedzaphanda Building Construction
MMG Mnganga	Middle Manager	Director at Mnganga Civil and Property developers
J Nengome	Middle Manager	Director at Sedzaphanda Building Construction
A Viljoen	Audit Committee	Director at Mora Plase Director at Fremadon Eiendomme Director at Macdonalds Transport Director at Bergrivier Admin dienste Director at Summersow Investments Director at Macdonalds Group Director at Zelpy 2329 Director at Sivukile Transport Director at Zelpy 2524 Director at Vukhapanda Transport Director at Victory Parade Trading Director Rich Rewards Trading 237
Lankalebalela	Audit Committee	Director at EL Computers Director at Sekelaxabiso Director at Blue Rose Investments Director at Numbersecure Director at Regucom Director at Zamori 163
N Erasmus	Audit Committee	Director at Northern Cape BEE Verification

The following Councillors and/or Management of the Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
A De Bruin	Councillor	No relationship with businesses
M Mashila	Councillor	No relationship with businesses
B Bosman	Councillor	No relationship with businesses
A Adams	Councillor	No relationship with businesses
S Dubeni	Councillor	No relationship with businesses
S Esau	Councillor	No relationship with businesses
J Mei	Councillor	No relationship with businesses
WD Klim	Councillor	No relationship with businesses
JJJ Olyn	Councillor	No relationship with businesses
J Assegaai	Councillor	No relationship with businesses
M Basson	Councillor	No relationship with businesses
MHB Van Zyl	Councillor	No relationship with businesses
F Witbooi	Councillor	No relationship with businesses
DJ Van Zyl	Director	No relationship with businesses
P Beukes	Director	No relationship with businesses
A Phete	Middle Manager	No relationship with businesses
B Feris	Middle Manager	No relationship with businesses
S Berend	Middle Manager	No relationship with businesses
Knouwds	Middle Manager	No relationship with businesses
LE Scheepers	Middle Manager	No relationship with businesses
E Britz	Middle Manager	No relationship with businesses
M. Mathe	Middle Manager	No relationship with businesses
C Phillips	Middle Manager	No relationship with businesses
J Shorty	Middle Manager	No relationship with businesses
T Job	Middle Manager	No relationship with businesses
S Titus	Middle Manager	No relationship with businesses
L Montshiwa	Middle Manager	No relationship with businesses
J Willemse	Middle Manager	No relationship with businesses
J Visagie/Maasdorp	Middle Manager	No relationship with businesses
G Kunn	Middle Manager	No relationship with businesses
MD Lekanyane	Middle Manager	No relationship with businesses

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Name of Related Person	Designation	Description of Related Party Relationship
M Manye	Middle Manager	No relationship with businesses
FJ Strauss	Middle Manager	No relationship with businesses
JJ Combrink	Middle Manager	No relationship with businesses
RM Snyders	Middle Manager	No relationship with businesses
C Swarts	SCM Official	No relationship with businesses
S Botha	SCM Official	No relationship with businesses
G Booysen	SCM Official	No relationship with businesses
G Femele	SCM Official	No relationship with businesses
J Beukes	Manager's Spouse	No relationship with businesses
B Ntoba	Manager's Spouse	No relationship with businesses
E Phillips	Manager's Spouse	No relationship with businesses
J Van Der Westhuizen	Manager's Spouse	No relationship with businesses
JM Snyders	Manager's Spouse	No relationship with businesses
NE Mchauli	Manager's Spouse	No relationship with businesses
TS Montshiwa	Manager's Spouse	No relationship with businesses
LG Cloete	Manager's Spouse	No relationship with businesses
JP Berend	Manager's Spouse	No relationship with businesses
EE Job	Manager's Spouse	No relationship with businesses
BJ Feris	Manager's Spouse	No relationship with businesses

40.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

40.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZFM District Municipality.

40.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

40.5 Purchases from Related Parties

The Municipality did not purchase goods from anyone during the year that can be considered as a related party.

40.6 Related Parties of Spouses

The Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

41 CONTINGENT LIABILITIES

41.1 Court Proceedings:

	2017 R	2016 R
	332 344	186 041
Government Handbook: Claim against the Municipality handled by Becker, Bergh & More regarding a cancellation of a contract. The attorneys suggested that the matter will be defended as the signatory of the contract had no authority. Possible obligation to the Municipality.	20 000	20 000
April Jacobs: Claim against the Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the Municipality.	32 000	31 041
Sheron de Wee: Claim against the Municipality handled by Becker, Bergh & More to defend a summons. Possible obligation to the Municipality.	30 344	-
Jolene van Wyk: Claim against the Municipality handled by Lulama Lobi Inc regarding a review of an appointment. Possible obligation to the Municipality.	250 000	135 000

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
42 CONTINGENT ASSETS		
42.1 Insurance Claims:	-	-
(i) Lost / Damaged Assets: The Municipality had no outstanding claims against its Insurers on 30 June 2017	-	-
42.2 Court Proceedings:	99 323	43 659
(i) DV Konstruksie The Municipality is suing DV Konstruksie in respect of a payment made to the contractor for services not delivered by them. There are no prospects for successfully recovering the outstanding debts.	55 664	-
(i) NASHUA The Municipality is suing NASHUA in respect of monies paid on expired contracts. This will be a magistrate's court matter.	43 659	43 659
43 IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
44 PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
45 EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.		
46 COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Changes in Accounting Estimates (Note 33) and Prior Period Errors (Note 32).		
47 MANAGEMENT'S GOING CONCERN ASSESSMENT		
Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:		
(i) On 30 May 2017 Council adopted the 2017/18 to 2019/20 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the elementary operations of the District Municipality to perform its legal mandate and reflected that the budget was not cash-backed for 2017/18 and cash backed for 2018/19 and 2019/20.		
(ii) The municipality's budget was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was negative for 2017/18 but positive for the two outer years 2018/19 and 2019/20.		
(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a daily basis.		
(iv) The municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. Cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source.		
(v) The municipality is in a material sense grant dependent and renders mainly mandatory support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.		
(vi) An operational efficiency plan has been develop by management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.		
(vii) Business plans has been compiled by management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services to the local municipalities in the district.		
(viii) All outstanding creditors on 30 June 2017 were included in ZFM's 2017/18 cash management report.		
(ix) Management has also developed a strategy on how to reduce employee related cost during the 2016/17 financial year.		
(x) To address above mentioned challenges a financial position improvement plan had been compiled and recommendations in the plan are implemented.		

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
ZF MGCAWU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2016	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2017
	R				R	R	R	R
ANNUITY LOANS								
Annuity Loan: Groblershoop water	729 766	10.00%	9755/102	31/03/2017	102 157	-	(102 157)	-
Total Annuity Loans	729 766				102 157	-	(102 157)	-
TOTAL EXTERNAL LOANS	729 766				102 157	-	(102 157)	-

Annuity Loan: Groblershoop water

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop water Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings											
Land	17 976 000	-	-	-	17 976 000	-	-	-	-	-	17 976 000
Building	2 056 000	-	-	-	2 056 000	1 028 000	82 240	-	-	1 110 240	945 760
	20 032 000	-	-	-	20 032 000	1 028 000	82 240	-	-	1 110 240	18 921 760
Other Assets											
Emergency Equipment											
Fire Fighting Equipment	1 800	-	-	-	1 800	1 618	1	-	-	1 619	181
Medical Equipment	12 600	-	-	-	12 600	11 100	181	-	-	11 281	1 319
Furniture and Fittings											
Cabinets and cupboards	334 150	7 261	-	-	341 410	268 574	13 443	-	-	282 017	59 393
Chairs	398 652	16 279	-	(4 639)	410 292	318 854	18 186	-	(3 952)	333 087	77 204
Furniture	12 164	-	-	-	12 164	4 827	2 190	-	-	7 016	5 148
Other furniture	330 266	7 595	-	(4 382)	333 480	257 848	15 700	-	(3 259)	270 288	63 191
Tables and desks	495 946	11 382	-	-	507 329	393 658	22 253	-	-	415 911	91 417
Motor Vehicles:											
Motor Cars	195 600	1 011 130	-	-	1 206 730	3 540	50 959	-	-	54 499	1 152 231
Trucks And Bakkies	361 700	-	-	-	361 700	163 683	3 622	-	-	167 305	194 395
Office Equipment:											
Computer Hardware	1 691 669	412 774	-	(189 316)	1 915 127	992 264	259 993	-	(151 140)	1 101 118	814 009
Office Machines & Other	463 956	55 264	-	(28 530)	490 691	403 570	19 676	-	(22 511)	400 734	89 957
Printer, Fax, Copier	311 770	-	-	-	311 770	258 348	13 820	-	-	272 168	39 602
Plant and Equipment:											
Other Equipment	1 391	-	-	-	1 391	560	250	-	-	810	580
Other Plant and Equipment	105 951	-	-	-	105 951	89 456	2 752	-	-	92 208	13 743
Radio Equipment	25 409	-	-	-	25 409	22 782	31	-	-	22 813	2 596
Security Equipment	139 852	-	-	-	139 852	81 878	17 203	-	-	99 082	40 770
Tractor	233 700	-	-	-	233 700	202 240	6 472	-	-	208 712	24 988
	5 116 576	1 521 685	-	(226 866)	6 411 395	3 474 800	446 733	-	(180 863)	3 740 670	2 670 725
Total PPE	25 148 576	1 521 685	-	(226 866)	26 443 395	4 502 800	528 973	-	(180 863)	4 850 910	21 592 485
Intangible Assets											
Computer Software	407 146	185 684	-	-	592 830	334 038	59 798	-	-	393 836	198 994
Total Intangible Assets	407 146	185 684	-	-	592 830	334 038	59 798	-	-	393 836	198 994
Total Asset Register	25 555 722	1 707 369	-	(226 866)	27 036 225	4 836 838	588 771	-	(180 863)	5 244 746	21 791 479

APPENDIX C
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2017

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	775 269	-	-	(21 408)	753 860	578 701	48 593	-	(18 675)	608 619	145 241
Communication & Liaison	8 360	-	-	-	8 360	5 465	947	-	-	6 412	1 948
Council Administration	105 930	-	-	(1 500)	104 430	82 684	5 550	-	(1 376)	86 858	17 572
Council Services	249 565	-	-	(6 182)	243 383	209 748	7 209	-	(4 768)	212 189	31 194
Internal Audit	116 874	-	-	(6 584)	110 290	91 665	6 243	-	(6 024)	91 883	18 407
Municipal Manager	290 707	-	-	(7 142)	283 565	186 626	28 071	-	(6 507)	208 189	75 375
Risk Management	3 832	-	-	-	3 832	2 513	574	-	-	3 087	745
Budget and Treasury Office	875 674	1 011 130	-	(29 819)	1 856 985	585 473	76 776	-	(27 363)	634 886	1 222 099
Asset Management Unit	15 241	-	-	-	15 241	13 031	4 936	-	-	17 967	-2 725
Budget & Treasury Office	21 516	-	-	-	21 516	13 783	2 168	-	-	15 952	5 564
Expenditure Unit	231	-	-	-	231	97	42	-	-	138	93
Financial Services	636 276	1 011 130	-	(29 819)	1 617 587	549 498	50 603	-	(27 363)	572 738	1 044 849
Supply Chain Management	6 809	-	-	-	6 809	5 524	247	-	-	5 771	1 038
Vehicles	195 600	-	-	-	195 600	3 540	18 780	-	-	22 320	173 280
Corporate Services	22 487 540	585 280	-	(72 103)	23 000 718	2 813 506	279 815	-	(59 293)	3 034 029	19 966 689
Administration	168 660	-	-	(7 154)	161 506	147 228	2 297	-	(6 420)	143 105	18 401
Human Resources	516 369	-	-	(11 430)	504 939	297 859	6 434	-	(10 475)	293 818	211 121
Information Technology	1 417 980	570 108	-	(19 839)	1 968 250	1 087 059	161 988	-	(15 510)	1 233 537	734 713
Property Services	20 384 531	15 172	-	(33 680)	20 366 023	1 281 360	109 098	-	(26 889)	1 363 569	19 002 454
Technical Support	1 417 239	110 959	-	(103 536)	1 424 662	859 158	183 586	-	(75 532)	967 212	457 450
Disaster Mangement	9 718	-	-	-	9 718	5 404	2 081	-	-	7 485	2 232
Engineering Services	486 870	-	-	(27 800)	459 070	362 448	33 101	-	(16 276)	379 273	79 797
Environmental Health	145 965	110 959	-	(9 398)	247 526	126 800	26 889	-	(4 474)	149 215	98 311
Housing Accreditation	110 417	-	-	(23 512)	86 905	79 585	7 966	-	(21 253)	66 297	20 608
LED	1 444	-	-	-	1 444	1 050	161	-	-	1 210	233
PIMMS	445 506	-	-	(16 277)	429 229	100 965	108 207	-	(9 475)	199 697	229 532
Technical Support Services	84 116	-	-	(14 680)	69 436	69 947	2 377	-	(13 215)	59 109	10 327
Tourism	133 204	-	-	(11 869)	121 335	112 960	2 804	-	(10 837)	104 926	16 409
Total	25 555 722	1 707 369	-	(226 866)	27 036 225	4 836 838	588 771	-	(180 863)	5 244 746	21 791 479

APPENDIX D
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	Vote Number	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	16 899 186	17 565 251	(16 899 186)	Executive and Council		-	-	16 946 121	16 781 801	(16 946 121)
-	-	2 781 775	2 842 873	(2 781 775)	Council Administration	1009	-	-	2 697 591	2 525 607	(2 697 591)
-	-	4 957 958	5 530 465	(4 957 958)	Council Services	1010	-	-	4 645 567	5 072 750	(4 645 567)
-	-	4 100 551	4 077 187	(4 100 551)	Municipal Manager	1001	-	-	3 706 811	3 497 305	(3 706 811)
-	-	2 030 903	2 068 291	(2 030 903)	Internal Audit	1005	-	-	2 485 613	2 356 894	(2 485 613)
-	-	394 796	405 518	(394 796)	Risk Management	1007	-	-	465 042	466 310	(465 042)
-	-	899 853	898 772	(899 853)	PMS	1008	-	-	1 364 842	1 279 962	(1 364 842)
-	-	1 733 351	1 742 145	(1 733 351)	Communication & Liaison	1012	-	-	1 580 655	1 582 973	(1 580 655)
53 347 579	58 554 500	12 551 540	13 770 017	40 796 039	Budget and treasury office		53 518 969	58 626 190	13 684 000	13 892 238	39 834 969
-	-	75 611	112 428	(75 611)	Vehicles	1003	-	-	18 780	18 800	(18 780)
1 250 000	1 250 000	4 617 239	4 800 709	(3 367 239)	Financial Services	1020	1 364 502	1 700 000	4 553 570	4 796 216	(3 189 068)
52 093 546	57 299 500	1 419 621	1 579 799	50 673 925	Budget & Treasury Office	1021	52 151 836	56 921 190	1 715 311	1 630 336	50 436 526
-	-	3 600 584	3 940 316	(3 600 584)	Expenditure Unit	1023	-	-	4 191 354	4 192 339	(4 191 354)
-	-	972 588	1 073 764	(972 588)	Supply Chain Management	1024	-	-	1 302 619	1 246 078	(1 302 619)
-	-	1 865 896	2 263 001	(1 865 896)	Asset Management Unit	1025	-	-	1 902 367	2 008 469	(1 902 367)
4 034	5 000	-	-	4 034	Administration 2	7550	2 630	5 000	-	-	2 630
179 205	35 000	18 007 916	16 862 371	(17 828 710)	Corporate services		1 192 160	250 000	18 759 668	15 091 663	(17 567 508)
-	-	2 374 448	2 756 624	(2 374 448)	Information Technology	1022	-	-	3 339 837	3 300 334	(3 339 837)
179 205	35 000	8 020 226	6 615 510	(7 841 021)	Human Resources	1046	1 192 160	250 000	7 555 272	4 255 867	(6 363 112)
-	-	1 441 245	1 560 845	(1 441 245)	Property Services	1048	-	-	1 338 887	1 351 200	(1 338 887)
-	-	4 495 435	4 492 537	(4 495 435)	Administration	1049	-	-	4 768 713	4 427 285	(4 768 713)
-	-	1 676 561	1 436 855	(1 676 561)	Security Services	1050	-	-	1 756 959	1 756 977	(1 756 959)
5 567 166	6 077 000	15 546 814	15 376 225	(9 979 648)	Technical Services		5 406 968	7 032 580	17 989 568	18 457 297	(12 582 601)
676 527	700 000	1 939 201	2 144 417	(1 262 675)	Disaster Mangement	1002	621 442	907 325	2 055 358	2 090 507	(1 433 916)
980 000	930 000	2 493 548	1 901 262	(1 513 548)	PIMMS	1004	-	-	1 853 552	1 706 014	(1 853 552)
-	-	336 771	373 652	(336 771)	Technical Support Services	1006	-	-	17 914	17 966	(17 914)
-	-	536 832	599 724	(536 832)	Tourism	1014	-	-	300 177	282 771	(300 177)
-	-	563 693	554 137	(563 693)	LED	1015	-	-	1 073 982	1 074 126	(1 073 982)
2 728 369	3 397 000	3 761 181	4 253 220	(1 032 812)	Engineering Services	1030	4 458 651	5 375 255	5 539 519	6 146 104	(1 080 868)
1 182 271	1 050 000	3 081 174	2 820 509	(1 898 903)	Housing Accreditation	1033	326 875	750 000	1 859 090	2 134 208	(1 532 216)
-	-	2 834 414	2 729 304	(2 834 414)	Environmental Health	1040	-	-	5 289 975	5 005 601	(5 289 975)
-	-	-	-	-	Roadworks	2160	-	-	-	-	-
59 093 951	64 666 500	63 005 456	63 573 864	(3 911 505)	Total		60 118 096	65 908 770	67 379 357	64 222 999	(7 261 261)

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17												2015/16	
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Budget Adjustment	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un- authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Un- authorised Expenditure	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:														
Budget and Treasury Office	58 864 000	(2 222 810)	56 641 190	1 985 000	58 626 190	-	58 626 190	53 518 969	-	(5 107 221)	91.29	90.92	-	53 347 579
Corporate Services	250 000	-	250 000	-	250 000	-	250 000	1 192 160	-	942 160	476.86	476.86	-	179 205
Community and Public Safety:														
Community and Social Services	3 684 000	1 691 255	5 375 255	-	5 375 255	-	5 375 255	4 458 651	-	(916 604)	82.95	121.03	-	2 728 369
Public Safety	350 000	557 325	907 325	0	907 325	-	907 325	621 442	-	(285 883)	68.49	177.55	-	676 527
Housing	750 000	-	750 000	-	750 000	-	750 000	326 875	-	(423 125)	43.58	43.58	-	1 182 271
Economic and Environmental Services:														
Planning and Development	-	-	-	-	-	-	-	-	-	-	0.00	0.00		980 000
Total Revenue - Standard	63 898 000	25 769	63 923 769	1 985 001	65 908 770	-	65 908 770	60 118 096	-	(5 790 674)	91.21	94.08	-	59 093 951
EXPENDITURE - STANDARD														
Governance and Administration:														
Executive and Council	13 659 099	3 177 363	16 836 462	(2 974 159)	13 862 303	56 563	13 918 866	14 000 624	164 320	81 758	100.59	102.50	-	14 265 982
Budget and Treasury Office	12 915 413	270 560	13 185 973	331 504	13 517 477	374 761	13 892 238	13 684 000	-	(208 238)	98.50	105.95	-	12 551 540
Corporate Services	14 805 063	(1 079 706)	13 725 356	1 458 617	15 183 973	(92 310)	15 091 663	18 759 668	3 668 005	3 668 005	124.30	126.71	1 145 545	18 007 916
Community and Public Safety:														
Community and Social Services	10 307 856	(4 095 581)	6 212 275	4 380 489	10 592 764	(491 633)	10 101 131	9 576 913	-	(524 218)	94.81	92.91	-	7 294 848
Public Safety	1 529 664	666 999	2 196 663	3	2 196 666	(106 159)	2 090 507	2 055 358	-	(35 149)	98.32	134.37	-	1 939 201
Housing	2 629 752	(466 486)	2 163 266	2	2 163 268	(29 060)	2 134 208	1 859 090	-	(275 118)	87.11	70.69	-	3 081 174
Health	5 623 508	(579 361)	5 044 146	1	5 044 147	(38 546)	5 005 601	5 289 975	-	284 374	105.68	94.07	170 589	2 834 414
Economic and Environmental Services:														
Planning and Development	1 355 837	1 391 365	2 747 202	(1 429 325)	1 317 877	388 137	1 706 014	1 853 552	-	147 538	108.65	136.71	-	2 493 548
Other:														
Tourism	253 881	90 644	344 525	(1)	344 524	(61 753)	282 771	300 177	-	17 406	106.16	118.24		536 832
Total Expenditure - Standard	63 080 072	(624 203)	62 455 868	1 767 131	64 222 999	-	64 222 999	67 379 357	3 832 325	3 156 358	104.91	106.82	1 316 133	63 005 456
Surplus/(Deficit) for the year	817 928	649 973	1 467 901	217 870	1 685 771	-	1 685 771	(7 261 261)	(3 832 325)	(8 947 032)	-	-	(1 316 133)	(3 911 505)

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17												2015/16	
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Budget Adjustment	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un- authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Un- authorised Expenditure	Restated Audited Outcome
REVENUE BY VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Vote 1 - Executive and council	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 2 - Budget and treasury office	58 864 000	(2 222 810)	56 641 190	1 985 000	58 626 190	-	58 626 190	53 518 969	-	(5 107 221)	91.29	90.92	-	53 347 579
Vote 3 - Corporate services	250 000	-	250 000	-	250 000	-	250 000	1 192 160	-	942 160	476.86	476.86	-	179 205
Vote 4 - Technical Services	4 784 000	2 248 580	7 032 580	0	7 032 580	-	7 032 580	5 406 968	-	(1 625 612)	76.88	113.02	-	5 567 166
Total Revenue by Vote	63 898 000	25 769	63 923 769	1 985 001	65 908 770	-	65 908 770	60 118 096	-	(5 790 674)	91.21	94.08	-	59 093 951
EXPENDITURE BY VOTE														
Vote 1 - Executive and council	13 659 099	3 177 363	16 836 462	(2 974 159)	13 862 303	56 563	13 918 866	14 000 624	81 758	81 758	100.59	102.50	-	14 265 982
Vote 2 - Budget and treasury office	12 915 413	270 560	13 185 973	331 504	13 517 477	374 761	13 892 238	13 684 000	-	(208 238)	98.50	105.95	-	12 551 540
Vote 3 - Corporate services	14 805 063	(1 079 706)	13 725 356	1 458 617	15 183 973	(92 310)	15 091 663	18 759 668	3 668 005	3 668 005	124.30	126.71	1 316 133	18 007 916
Vote 4 - Technical Services	21 700 497	(2 992 420)	18 708 077	2 951 169	21 659 246	(339 014)	21 320 232	20 935 066	-	(385 166)	98.19	96.47	-	18 180 017
Total Expenditure by Vote	63 080 072	(624 203)	62 455 868	1 767 131	64 222 999	-	64 222 999	67 379 357	3 749 763	3 156 358	104.91	106.82	1 316 133	63 005 456
Surplus/(Deficit) for the year	817 928	649 973	1 467 901	217 870	1 685 771	-	1 685 771	(7 261 261)	(3 749 763)	(8 947 032)	0.00	0.00	(1 316 133)	(3 911 505)

APPENDIX E(3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17												2015/16	
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Budget Adjustment	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un- authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Un- authorised Expenditure	Restated Audited Outcome
Revenue by Source	R	R	R	R		R	R	R	R	R	R	R	R	R
Rental of Facilities and Equipment	20 000	-	20 000	-	20 000	-	20 000	7 385	-	(12 615)	36.93	36.93	-	5 905
Interest Earned - External Investments	500 000	-	500 000	150 000	650 000	-	650 000	725 580	-	75 580	111.63	145.12	-	531 966
Interest Earned - Outstanding Debtors	30 000	-	30 000	(15 000)	15 000	-	15 000	2 630	-	(12 370)	17.54	8.77	-	24 563
Actuarial Gains on Employee Benefits	-	-	-	-	-	-	-	1 129 710	-	1 129 710	0.00	0.00	-	31 888
Transfers Recognised - Operational	56 883 800	2 248 580	59 132 380	450 000	59 582 380	-	59 582 380	57 621 270	-	(1 961 110)	96.71	101.30	-	56 598 816
Other Revenue	6 314 200	(2 222 810)	4 091 390	1 400 000	5 491 390	-	5 491 390	631 521	-	(4 859 869)	11.50	10.00	-	1 084 760
Gains on Disposal of PPE	150 000	-	150 000	-	150 000	-	150 000	-	-	(150 000)	0.00	0.00	-	816 054
Total Revenue (excluding Capital)	63 898 000	25 769	63 923 769	1 985 001	65 908 770	-	65 908 770	60 118 096	-	(5 790 674)	91.21	94.08	-	59 093 951
Expenditure														
Employee Related Costs	44 775 001	(3 051 633)	41 723 368	4 600	41 727 968	(161 464)	41 566 504	47 012 330	3 832 325	5 445 826	113.10	105.00	1 316 133	43 026 407
Remuneration of Councillors	3 838 584	(79 774)	3 758 811	(1)	3 758 810	-	3 758 810	3 228 951	-	(529 859)	85.90	84.12	-	3 289 960
Debtor Impairment	-	100 000	100 000	(75 000)	25 000	17 556	42 556	17 555	-	(25 001)	41	0.00	-	1 263
Depreciation and Asset Impairment	920 000	(293 557)	626 443	-	626 443	337 664	964 107	948 959	-	(15 148)	98.43	103.15	-	1 047 497
Finance Charges	142 000	(76 000)	66 000	-	66 000	-	66 000	5 163	-	(60 837)	7.82	3.64	-	34 959
Contracted Services	680 000	821 400	1 501 400	(756 371)	745 029	(32 869)	712 160	701 174	-	(10 986)	98.46	103.11	-	709 894
Transfers and Grants	5 249 123	1 972 438	7 221 561	339 652	7 561 213	-	7 561 213	5 943 916	-	(1 617 297)	78.61	113.24	-	5 841 262
Other Expenditure	7 475 363	(17 077)	7 458 286	2 254 250	9 712 536	(195 887)	9 516 649	9 498 242	-	(18 407)	99.81	127.06	-	9 054 215
Loss on Disposal of PPE	-	-	-	-	-	35 000	35 000	23 066	-	(11 934)	66	0.00	-	-
Total Expenditure	63 080 072	(624 203)	62 455 868	1 767 131	64 222 999	-	64 222 999	67 379 357	3 832 325	3 156 358	104.91	106.82	1 316 133	63 005 456
Surplus/(Deficit)	817 928	649 973	1 467 901	217 870	1 685 771	-	1 685 771	(7 261 261)	(3 832 325)	(8 947 032)	-	0.00	(1 316 133)	(3 911 505)
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-	0.00	-	-
Surplus/(Deficit) for the Year	817 928	649 973	1 467 901	217 870	1 685 771	-	1 685 771	(7 261 261)	(3 832 325)	(8 947 032)	-	-	(1 316 133)	(3 911 505)

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17											2015/16		
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Budget Adjustment	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un- authorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Un- authorised Expenditure	Restated Audited Outcome
CAPITAL EXPENDITURE - VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Multi-year Expenditure														
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 2 - Budget & Treasury Office	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Vote 4 - Technical Support	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Single-year Expenditure														
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	23 568
Vote 2 - Budget & Treasury Office	350 000	661 200	1 011 200	-	1 011 200	-	1 011 200	1 011 130	-	(70)	99.99	288.89	-	196 439
Vote 3 - Corporate Services	425 000	10 000	435 000	220 000	655 000	(69 600)	585 400	585 280	-	(120)	99.98	137.71	-	21 146
Vote 4 - Technical Support	-	-	-	-	-	69 600	69 600	110 959	41 359	41 359	159.42	0.00	-	226 900
Total Capital Expenditure - Single-year	775 000	671 200	1 446 200	220 000	1 666 200	-	1 666 200	1 707 369	41 359	41 169	102.47	220.31	-	468 053
Total Capital Expenditure - Vote	775 000	671 200	1 446 200	220 000	1 666 200	-	1 666 200	1 707 369	41 359	41 169	102.47	220.31	-	468 053
CAPITAL EXPENDITURE - STANDARD														
Governance and Administration:														
Executive and council	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	23 568
Budget and treasury office	350 000	661 200	1 011 200	-	1 011 200	-	1 011 200	1 011 130	-	(70)	99.99	288.89	-	196 439
Corporate services	425 000	10 000	435 000	220 000	655 000	(69 600)	585 400	585 280	-	(120)	99.98	137.71	-	21 146
Other:														
Other	-	-	-	-	-	69 600	69 600	110 959	41 359	41 359	159.42	0.00	-	226 900
Total Capital Expenditure - Standard	775 000	671 200	1 446 200	220 000	1 666 200	-	1 666 200	1 707 369	41 359	41 169	102.47	220.31	-	468 053
FUNDED BY:														
National Government	-	-	-	-	-	-	-	234 219	-	234 219	0.00	0.00	-	205 792
Provincial Government	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	47 837
Transfers Recognised - Capital	-	-	-	-	-	-	-	234 219	-	234 219	0.00	0.00	-	253 629
Borrowing	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-
Internally Generated Funds	775 000	671 200	1 446 200	220 000	1 666 200	-	1 666 200	1 473 150	41 359	(193 050)	88.41	190.08	-	214 424
Total Capital Funding	775 000	671 200	1 446 200	220 000	1 666 200	-	1 666 200	1 707 369	41 359	41 169	102.47	220.31	-	468 053

APPENDIX E(5)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17											2015/16
	Original Total Budget	Budget Adjustment	Final Adjustment Budget	Budget Adjustment	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
CASH FLOW FROM OPERATING ACTIVITIES	R	R	R	R	R	R	R	R	R	R	R	R
Receipts												
Other Income	5 707 280	(1 774 746)	3 932 534	-	3 932 534	-	3 932 534	842 135	(3 090 399)	21.41	14.76	1 209 874
Government - Operating	56 883 800	-	56 883 800	-	56 883 800	-	56 883 800	57 182 502	298 702	100.53	100.53	59 317 500
Government - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Interest	525 000	-	525 000	-	525 000	-	525 000	728 210	203 210	138.71	138.71	556 529
Actuarial Gains on Employee Benefits	-	-	-	-	-	-	-	1 129 710	1 129 710	0.00	0.00	31 888
Payments												
Suppliers and Employees	(56 104 413)	4 146 005	(53 345 188)	(1 386 779)	(51 958 409)	-	(51 958 409)	(55 705 380)	(3 746 971)	107.21	99.29	(54 656 128)
Finance Charges	(142 000)	82 600	(59 400)	-	(59 400)	-	(59 400)	(5 163)	54 237	8.69	3.64	(34 959)
Transfers and Grants	(5 249 123)	(2 312 090)	(6 174 434)	1 386 779	(7 561 213)	-	(7 561 213)	(5 943 916)	1 617 297	78.61	113.24	(5 841 262)
NET CASH FROM / (USED) OPERATING ACTIVITIES	1 620 544	141 769	1 762 313	(0)	1 762 313	-	1 762 313	(1 771 901)	(3 534 214)	0.00	0.00	583 443
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on Disposal of PPE	150 000	(20 000)	130 000	-	130 000	-	130 000	22 937	(107 063)	17.64	15.29	3 924 000
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	-	370	370	0.00	0.00	29 324
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	131 288	131 288	0.00	0.00	19 146
Payments												
Capital Assets	(775 000)	(891 200)	(1 446 200)	220 000	(1 666 200)	-	(1 666 200)	(1 707 369)	(41 169)	0.00	0.00	(468 052)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(625 000)	(911 200)	(1 316 200)	220 000	(1 536 200)	-	(1 536 200)	(1 552 774)	(16 574)	0.00	0.00	3 504 417
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Payments												
Loans repaid	(250 000)	100 000	(150 000)	-	(150 000)	-	(150 000)	(102 157)	47 843	0.00	0.00	(477 154)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(250 000)	100 000	(150 000)	-	(150 000)	-	(150 000)	(102 157)	47 843	0.00	0.00	(477 154)
NET INCREASE / (DECREASE) IN CASH HELD	(745 544)	669 431	(296 113)	(220 000)	(76 113)	-	(76 113)	3 426 832	3 502 945	0.00	0.00	(3 610 705)
Cash / Cash Equivalents at the Year begin:	3 715 700	-	3 715 700	-	3 715 700	-	3 715 700	3 715 700	-	100.00	100.00	104 995
Cash / Cash Equivalents at the Year end:	4 461 244	(669 431)	4 011 813	220 000	3 791 813	-	3 791 813	288 868	(3 502 945)	7.62	6.48	3 715 700

APPENDIX F

ZF MGCAWU DISTRICT MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2017

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below
		Sept	Dec	March	June	Sept	Dec	March	June			
Financial Management Grant	National Treasury	1 250 000	-	-	-	211 469	247 802	394 721	396 008	N/A	N/A	Yes
Rural Roads Asset Manage Systems Grant	National Treasury	1 484 000	1 200 000	-	-	6 011	559 420	347 206	1 498 014	N/A	N/A	Yes
EPWP Incentive Grant	National Treasury	250 000	450 000	300 000	-	87 782	122 122	140 394	414 163	N/A	N/A	Yes
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	350 000	-	-	4 519	459 263	-237 371	379 424	N/A	N/A	Yes
Disaster Management - Fire Equipment Grant	COGHSTA - Provincial	-	-	-	-	-	-	15 606	-	N/A	N/A	Yes
DRD RVM Sewernetwork	Department Rural Development	-	-	-	-	-	-	-	-	N/A	N/A	Yes
Housing Accreditation DPLG National	COGHSTA - Provincial	750 000	-	-	-	95 808	15 255	42 138	173 674	N/A	N/A	Yes
Kgotso Pula Nala	COGHSTA - Provincial	-	-	-	-	70 000	397 382	151 975	479 983	N/A	N/A	Yes
Total Grants and Subsidies Received		3 734 000	2 000 000	300 000	-	475 589	1 801 244	854 670	3 341 265			

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2017

Incumbent	Basic Salaries	Scares Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R		R	R	R	R	R	R
Mayor											
A. Vosloo	551 722	-	-	-	-	183 907	-	-	8 778	-	744 408
Speaker											
M. Moalosi	421 111	-	-	-	-	140 370	3 800	-	7 153	-	572 434
P. Wetbooi	45 236	-	-	-	-	15 079	-	-	573	-	60 888
Executive Committee											
G.H. Mothibi	233 157	-	-	-	-	77 719	22 800	-	3 171	-	336 846
J. J. J. Olyn	209 721	-	-	-	-	69 907	20 532	-	4 417	-	304 577
B. Sinxeve	23 436	-	-	-	-	7 812	2 268	-	307	-	33 823
J. Lodewyk	73 726	-	-	-	-	24 575	9 432	-	1 439	-	109 173
A. De Bruin	179 286	-	-	-	-	59 405	22 800	-	2 392	-	263 883
F. L. Witbooi	160 489	-	-	-	-	53 496	20 532	-	3 713	-	238 231
J. De Klerk	101 084	-	-	-	-	33 695	12 932	-	2 313	-	150 025
M. van Zyl	48 386	-	-	-	-	16 129	6 190	-	1 050	-	71 755
P.M. Kotze	17 726	-	-	-	-	5 909	2 268	-	226	-	26 128
C. Tieties	17 726	-	-	-	-	5 909	2 268	-	226	-	26 128
Other Councillors											
K. Dodds	18 270	-	-	-	-	6 090	1 849	-	240	-	26 448
M. Mashila	33 628	-	-	-	-	11 310	-	-	671	-	45 610
M. Mabilo	12 789	-	-	-	-	3 781	-	-	14	-	16 584
B. Bock	10 368	-	-	-	-	3 781	-	-	189	-	14 338
M. Basson	11 604	-	-	-	-	3 868	-	-	245	-	15 717
W. Klim	10 215	-	-	-	-	3 405	-	-	189	-	13 809
S. Esau	8 549	-	-	-	-	3 781	-	-	128	-	12 458
K. Esau	1 128	-	-	-	-	376	-	-	-	-	1 504
P.M. Mgqera	7 522	-	-	-	-	2 447	-	-	95	-	10 064
A. Adams	14 736	-	-	-	-	4 328	-	-	291	-	19 354
M. Bosman	43 376	-	-	-	-	14 459	-	-	1 000	-	58 834
B. L. Bosman	-	-	-	-	11 544	-	-	-	-	-	11 544
J. Assegaai	-	-	-	-	14 430	-	-	-	-	-	14 430
S. D. Dubeni	-	-	-	-	10 582	-	-	-	-	-	10 582
B. J. Snyders	-	-	-	-	1 924	-	-	-	-	-	1 924
P. Isaacs	-	-	-	-	1 924	-	-	-	-	-	1 924
J. Mei	-	-	-	-	8 658	-	-	-	-	-	8 658
M. Oliphant	-	-	-	-	1 099	-	-	-	-	-	1 099
A. Isaacs	-	-	-	-	1 924	-	-	-	-	-	1 924
S.P. May	-	-	-	-	3 848	-	-	-	-	-	3 848
Total for Councillors	2 254 991	-	-	-	55 933	751 537	127 671	-	38 819	-	3 228 951
Municipal Manager											
E. Ntoba	1 000 000	-	102 500	221 131	-	680 427	-	-	18 253	-	2 022 311
Director: Financial Services											
P. Beukes	453 175	80 726	43 937	108 988	-	349 251	-	15 600	55 655	-	1 107 332
Acting Director: Technical Support											
A. Tieties	-	-	-	-	-	-	-	-	-	54 076	54 076
Director: Corporate Services											
D. Van Zyl	478 602	-	-	116 633	-	403 694	-	15 600	143 640	-	1 158 170
H. Mchlauli	-	-	-	-	-	-	-	-	-	48 545	48 545
	478 602	-	-	116 633	-	403 694	-	15 600	143 640	48 545	1 206 714
Total for Senior Managers	1 931 778	80 726	146 437	446 752	-	1 433 372	-	31 200	217 548	102 621	4 390 434
Total	4 186 768	80 726	146 437	446 752	55 933	2 184 910	127 671	31 200	256 367	102 621	7 619 385

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Basic Salaries	Scares Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R		R	R	R	R	R	R
Mayor											
G. van Staden	183 390	-	-	-		61 130	-	-	2 875	-	247 395
A. Vosloo	382 063	-	-	-		127 354	1 336	-	6 239	-	516 991
Speaker											
A. Vosloo	78 246	-	-	-		26 082	4 210	-	-	-	108 538
P. Wetbooi	305 650	-	-	-		101 883	1 040	-	4 940	-	413 513
Executive Committee											
B. Sinxeve	235 626	-	-	-		78 542	20 868	-	3 177	-	338 213
G.H. Mothibi	235 626	-	-	-		78 542	20 868	-	3 177	-	338 213
P. Wetbooi	77 275	-	-	-		25 758	6 844	-	1 487	-	111 365
M. Moalosi	144 649	-	-	-		50 398	15 700	-	3 359	-	214 106
A. De Bruin	171 361	-	-	-		57 120	20 868	-	2 360	-	251 709
C. Tieties	171 361	-	-	-		57 120	20 868	-	2 360	-	251 709
P.M. Kotze	171 361	-	-	-		57 120	20 868	-	2 360	-	251 709
Other Councillors											
K. Dodds	15 770	-	-	-	-	5 257	-	-	200	-	21 226
M. Oliphant	10 907	-	-	-	-	3 636	-	-	156	-	14 698
M. Mabilo	10 907	-	-	-	-	3 636	-	-	139	-	14 681
P.M. Mgqera	75 172	-	-	-	-	25 057	-	-	955	-	101 184
J. Joseph	-	-	-	-	1 313	-	-	-	-	-	1 313
J. Assegaai	-	-	-	-	9 321	-	-	-	-	-	9 321
J. Thomas	-	-	-	-	16 647	-	-	-	-	-	16 647
S.P. May	-	-	-	-	17 668	-	-	-	-	-	17 668
E. Mnyaka	-	-	-	-	16 333	-	-	-	-	-	16 333
D.Z. Ntlhanganiso	-	-	-	-	9 236	-	-	-	-	-	9 236
B. Bock	-	-	-	-	857	-	-	-	-	-	857
A. Isaacs	-	-	-	-	18 978	-	-	-	-	-	18 978
A.M. Van Wyk	-	-	-	-	4 356	-	-	-	-	-	4 356
Total for Councillors	2 269 362	-	-	-	94 709	758 636	133 469	-	33 785	-	3 289 960
Municipal Manager											
E. Ntoba	967 463	-	81 000	204 152	-	652 546	-	-	17 490	-	1 922 650
Director: Financial Services											
P. Beukes (8 months)	269 087	53 817	40 363	109 003	-	203 317	-	10 400	28 461	-	714 449
A. Kitching (4 months)	137 273	-	-	-	-	260 245	4 800	5 200	24 709	-	432 227
	406 361	53 817	40 363	109 003	-	463 562	4 800	15 600	53 170	-	1 146 676
Director: Technical Support											
J. van Wyk (Payout relating to 2014/15)	-	-	-	32 519	-	-	-	-	-	-	32 519
G. Mnganga (3 months)	-	-	-	-	-	-	-	-	-	51 015	51 015
A. Tieties (5 months)	-	-	-	23 901	-	-	-	-	-	51 015	74 916
	-	-	-	56 420	-	-	-	-	-	102 030	158 450
Director: Corporate Services											
D. Van Zyl	452 999	-	-	109 003	-	378 211	-	15 600	134 126	-	1 089 939
Total for Senior Managers	1 826 822	53 817	121 363	478 577	-	1 494 320	4 800	31 200	204 786	102 030	4 317 716
Total	4 096 184	53 817	121 363	478 577		2 252 955	138 269	31 200	238 571	102 030	7 607 676

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2017

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
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1. FINANCIAL POSITION

A. Asset Management/Utilisation

1	Capital Expenditure to Total Expenditure	10% - 20%		2%	District Municipalities have no capital projects as infrastructure is maintained by Local Municipalities.
			Total Operating Expenditure	67 379 357	
			Taxation Expense	-	
			Total Capital Expenditure	1 707 369	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		0%	No Impairment of PPE during the 2016/17 financial year.
			PPE, Investment Property and Intangible Impairment	-	
			PPE at carrying value	21 592 485	
			IP at carrying value	-	
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		3%	The majority of ZFM's PPE value is Land which has no maintenance on it.
			Total Repairs and Maintenance Expenditure	692 225	
			PPE at carrying value	21 592 485	
			Investment Property at Carrying value	-	

B. Debtors Management

ZFM has no consumer debtors.

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		-0.9 Month	ZFM district municipality experienced cash flow problems during the 2016/17 financial year. Refer to Note 47, Management's Going Concern Assessment for more detail.
			Cash and cash equivalents	288 868	
			Unspent Conditional Grants	5 104 128	
			Overdraft	-	
			Short Term Investments	-	
			Total Annual Operational Expenditure	66 098 518	
2	Current Ratio	1.5 - 2:1		0.06	Current liabilities will be funded by the 2017/18 Equitable Share. This comes from prior years and will increase every year due to the implementation of an Operational Efficiency Plan and Cash Flow Management Plan. Refer to Note 47, Management's Going Concern Assessment for more detail.
			Current Assets	995 527	
			Current Liabilities	16 913 721	

D. Liability Management

1	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		0%	ZFM has settled all Long-term liabilities during 2016/17 and do not borrow money for operations.
			Interest Paid	5 163	
			Redemption	0	
			Total Operating Expenditure	66 098 518	
2	Debt (Total Borrowings) / Revenue	45%		0%	ZFM has settled all Long-term liabilities during 2016/17 and do not borrow money for operations.
			Total Debt	0	
			Total Operating Revenue	60 118 096	
			Operational Conditional Grants	57 621 270	

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2017

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
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E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		-17%	The level of Cash Backed of Unspent Grants will be addressed by Management's Going Concern Assessment, refer to Note 47.
			Cash and cash Equivalents	288 868	
			Bank Overdraft	-	
			Short Term Investment	-	
			Long Term Investment	-	
			Unspent Grants	5 104 128	
			Net Assets	-	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	-28 618 970	

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-12%	Budgeted Revenue did not realised as expected.
			Total Operating Revenue	60 118 096	
			Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the</i>		
			Total Operating Expenditure	67 379 357	
			Taxation Expense	-	

B. Distribution Losses

ZFM has transferred the distribution of water and electricity to Local Municipalities

C. Revenue Management

ZFM has limited revenue as all services were transferred to local Municipalities

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		27 days	Creditors were paid within 30 days
			Trade Creditors - Creditors Control	917 773	
			<i>(Trade Creditors above exclude invoices of R1 478 517 received on year-end)</i>		
			Contracted Services	701 174	
			Repairs and Maintenance	692 225	
			General expenses	9 498 242	
			Bulk Purchases	-	
			Capital Credit Purchases <i>(Capital Credit Purchases refers to additions of Intangible Assets and Property, Plant and Equipment)</i>	1 707 369	
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		5.80%	Refer to Note 35 for detailed explanations.
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	3 908 336	
			Total Operating Expenditure	67 379 357	
			Taxation Expense	-	

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2017

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
3	25% - 40%		75%	The only function of the district is to render support to Local Municipalities, therefore ZFM need the personnel capacity to render these services.
		Employee/personnel related cost	47 012 330	
		Councillors Remuneration	3 228 951	
		Total Operating Expenditure	67 379 357	
		Taxation Expense	-	
4	2% - 5%		1.04%	ZFM has limited contracted services.
		Contracted Services	701 174	
		Total Operating Expenditure	67 379 357	
		Taxation Expense	-	

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		146%	Total Capital Expenditures can be funded by internally generated funds and borrowings.
			Internally generated funds	2 496 827	
			Borrowings	-0	
			Total Capital Expenditure	1 707 369	
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		146%	Total Capital Expenditures can be funded by internally generated funds.
			Internally generated funds	2 496 827	
			Total Capital Expenditure	1 707 369	
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		4%	ZFM has limited own source of revenue as all the functions were transferred to Local Municipalities.
			Total Revenue	60 118 096	
			Government grant and subsidies	57 621 270	
			Public Contributions	-	
			Capital Grants	-	

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		102%	Cost containment measures were implemented without influencing service delivery which is support services. The fleet was not replaced as budgeted for due to unsuccessful tender processes.
			Actual Capital Expenditure	1 707 369	
			Budget Capital Expenditure	1 666 200	
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		105%	Refer to the Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2015 for detailed explanations.
			Actual Operating Expenditure	67 379 357	
			Budget Operating Expenditure	64 222 999	
3	Operating Revenue Budget Implementation Indicator	95% - 100%		91%	Shared Services of R2.9million did not realised during 2016/17 financial year as budgeted for. Budgeted VAT Income of R1 million was received against VAT Receivables
			Actual Operating Revenue	60 118 096	
			Budget Operating Revenue	65 908 770	